

Do we need one business model definition?

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ABSTRACT

Purpose: Different applications and conceptualizations of the business model concept have created discussions on what it actually is. The purpose of this paper is twofold: 1) to establish an overview of current usages of the business model construct, its nature and role in theory building, and – building on this – 2) to derive guiding principles applicable for achieving better clarity of the business model construct in future research.

Design/methodology: Variances in roles, nature and forms of current and diverse applications of the business model concept are discussed from a vertical and a horizontal dimension. Based on the analysis, key issues for achieving construct clarity are proposed.

Findings: This paper 1) demonstrates that there are at least three levels of understanding business models (general, conceptual and as a research construct), 2) that the business model construct is heavily influenced by the research view, 3) that the establishment of specific constructs can be informed by the existing literature, and 4) discusses how the emergent business model concept can be strengthened.

Implications

Different and complementary business model perspectives may provide a better understanding and reflection of reality than a single, general and detailed definition. For specific applications, definitions need to explicitly clarify the particular role, nature and boundaries of the business model.

Originality/value

The paper provides a methodological contribution in the discussion on business model definitions by adding clarity on the value of the multi-levels and multi-views of current understandings as well as contributing on how to create specific constructs.

Keywords: Business model, strategy, value capture, value creation, innovation, definition

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Introduction

What is a business model? This question is of relevance for anyone considering applying the business model construct or just reading the diverse contributions in the field.

Although the business model idea addresses general, fundamental and familiar challenges of strategic nature (Sandberg, 2002; Verstraete and Jouison-Lafitte, 2011), there is still discussion about what business models are, and, consequently, their usefulness (most recently Arend, 2013; and a direct response, Zott and Amit, 2013). The business model concept was initially important for understanding e-business (Amit and Zott, 2001; Zott et al., 2011; Wirtz et al., 2010) and commercialization of technology and innovation (Chesbrough, 2006, Chesbrough and Rosenbloom, 2002, Johnson, 2010). However, Porter (2001) described the unclear nature of the business model as an “invitation for faulty thinking and delusion” as he analyzed unhealthy business practices related to the internet. On the other hand, Pohle and Chapman (2006) found that business model innovation, i.e. defined as innovation incorporating both product and service generated comparatively better returns than isolated initiatives, which has been partly supported by Aspara et al. (2010).

By tracking the application of the business model term in the literature (Ghaziani and Ventresca, 2005), it has been possible to see how it has been diffusing into new communities during the internet expansion in the 90ties with new meanings related to value creation (and delivery). At the same time, however, older meanings of the business model co-existed in old environments, albeit often in tacit versions. In this way the term business model has become a keyword, with a global meaning as well as local meanings. Business models appear to be a complex and multifaceted phenomena which “integrates a variety of academic and functional disciplines, gaining prominence in none” (Chesbrough and Rosenbloom, 2002), and Shafer et al. (2005) talked about an identity crisis for the business model. Others claimed that the confusion resulted in the lack of progress of business model research. This wave of criticism apparently culminated around 2010-11. In a review, Schneider and Spieth (2012) summa-

rized the situation as: “*academic research on the topic is blamed to lag behind practice and in particular to lack formalization and structure (Zott et al., 2011, Casadesus-Masanell and Ricart, 2010; Plé et al., 2010). Furthermore, the concept is argued to miss sufficient theoretical grounding (Sahu and Marko, 2007; Morris et al., 2005; Teece, 2010; George and Bock, 2011; Nenonen and Storbacka, 2010) and to be based on a multitude of differing and inconsistent theoretical approaches (Camisón and Villar-López, 2010; Zott et al., 2011; Casadesus-Masanell and Ricart, 2010)*”. It has recently been questioned if some of the energy going into this definition discussion may have been applied for more useful purposes (Baden-Fuller and Haefliger, 2013).

Some of the above and other academics have explored the background and implications of the differences in business model understandings. This approach seems to be in line with the multidisciplinary presence and the inclusive nature of the business model field, pointing in the direction of seeing business models as a boundary object playing an important sense-making and sense-creating role for various stakeholders, despite their individual approaches and understandings of the term. Empirically, this has been addressed by Verstraete and Jouison-Lafitte (2011) and Doganova and Eyquem-Renault (2009) seeing business model as important in the mobilization of resources in the entrepreneurial process. Further, Verstraete and Jouison-Lafitte (2011) propose a conventionalist approach arguing that business model definitions - despite the variety in terms and language - addresses the same type of problems which is why there is some homogeneity of the concept. On a broader scale, while addressing the criticism in their review, Zott et al. (2011) also found emergent common ground in the business model literature. It has also been suggested that business model research exhibits the features of “progressive science” by Lakatos (Lecocq et al., 2010) in which science develops as a series of progressive research programmes. But this raises the general critical questions about how we identify what the research programmes are and in particular when and how we identify “progressive shifts” in problems. This perspective, however, emphasize that - putting frustrations aside - these discussions are related to how science learns and build knowledge in the business model field.

A central thesis of this paper is that much of the discussion and confusion is due to lack of clarity of more fundamental aspects in the different applications of the concept. In general definitions assist us in understanding the topic of interest – i.e. for classification and guidance of activities. But definitions (the content) and how we arrive at them (the process of defining) is complex. First of all, there is the actual content and what we accept as a general definition. Several reviews have addressed this in different ways, but the result is often consolidating the findings, restating the problem, and providing no real solution. Secondly, the actual process of defining depends on the audience and how definitions make sense and contribute to learning. There are substantial, traditional issues of different scientific and methodological approaches between different areas of business research, which is often neglected and not discussed in the calls for definitions. In addition it is rarely discussed if it is necessary, useful and possible to have a general definition accommodating and transcending different disciplines, their paradigms and traditions.

Understanding the nature of the business model concept has important implications for researchers and practitioners in

1. establishing and maintaining an overview of its meaning and
2. for dialogues about and positioning of their research, both within and between different communities and disciplines, and
3. in theory building, as this depends on constructs and the ability to establish ties between these constructs.

As already stated, there have been many attempts to define business models. It is beyond the scope of this paper to add new dimensions to actual definitions. However, there have only been few – if any – contributions on how we can arrive at definitions which simultaneously capture the broad meaning as well as the focus for specific applications which may indicate that the role, the process and context of definitions, may deserve more attention than what has been the case in the current literature, especially as the business model field is cross-disciplinary.

The purpose of this paper is therefore twofold:

1. to establish an overview of current usages of the business model construct, and in particular its nature and role in theory building, and – building on this –
2. to derive guiding principles applicable for achieving better clarity of the business model construct in future research.

Some of the fundamental questions we explore are: How can we apprehend, measure and discuss a construct with multiple understandings? How precise definitions do we need – and when?

The paper proceeds as follows: First part presents the methodology and key terms. Second part explores the central understanding of the business model from different levels and views, trying to understand its role, nature and format. Finally, this understanding is being discussed in relation to the need for a definition in specific contexts.

Methodology and Key Terms

This paper suggests that business model understandings can and must be explicated for specific purposes of knowledge creation, including the communication with different audiences. The paper takes an eclectic and pragmatic approach as it builds on existing contributions, and it does not, in general, claim that one view or definition is superior compared to another. To support this view and to provide some pragmatic guidance as to determine what type of definition is needed in different situations, it is proposed that business model definitions can be seen as a semantic field which can be described in a vertical as well as a horizontal dimension:

First part examines the vertical, hierarchical level of understandings with different degrees of abstraction which may be relevant for different purposes and audiences, by “unpacking” the literal meaning of business models. This is followed by a (brief) review of the literature and the apparent common ground which paves the way for a conceptual definition. This part also proposes the existence of three levels of understandings (as a general reference, as a conceptual definition and as a specific construct).

Part two provides a horizontal dimension, i.e. different views, of business model understandings and their role in theory building. The analysis is based on contrasting business model understandings, sometimes in a stylized way, according to dimensions of classic characterization of scientific work, such as inductive versus deductive, nomothetic versus ideographic etc. Contributions were selected from databases, conferences, consulting reports, and books based on the key word "business models". For the contrasting analysis, diversity of the contributions was important. The number of papers analyzed was determined by the saturation principle, i.e. the process was stopped when no further insights appeared (some, but not all, of the contributions are referred to in the text). Two brief examples can serve as an illustration of the analysis: A deductive approach (from the general to the applied) would require a predefined understanding (construct) in the research design, whereas a more inductive approach allow a more open construct. A nomothetic understanding would indicate some kind of broader, normative (objective) generalization, whereas a more ideographic approach would indicate a more local understanding of business models. This process generated insights with implications for the construct in terms of e.g. content, scope, ability to deal with dynamics etc.. In addition, the insights were also evaluated in various paradigmatic views (Lincoln et al., 2011; Scott and Davis, 2007; Arbnor and Bjerke, 2009; Skyttner, 2006; Teddlie and Tashakkori, 2009; Gioia and Pitre, 1990), but for presentation purposes in this journal, the insights are organized according to four views identified in the business model literature: The representational, the functionalist, the pragmatic and the systemic view.

The findings are applied in the discussion and implications section to address the "do we need one business model definition" question in contexts of designing constructs in research projects, when communicating with practice and when communicating with colleagues. As definitions, concepts and constructs are not used consistently in the literature we initially focus on the role of definitions and how we arrive at them.

Key terms: Definitions, concepts and constructs
Understanding the "essence" of things (Aristotle) has been a major question debated in philosophy and science since ancient Greece. Without being entangled in

a philosophical debate this is not without problems. A definition is the outcome of an activity which explains to an audience the meaning of an expression (Longworth, 2006). This sentence is in itself a definition consisting of a definiendum (what we define, i.e. definition) and definiens (how we do it – in this case by activity). Defining imply the usage of definiens i.e. other constructs which may be more or less precise. This may be especially challenging in new areas and in social science as definiens may be ambiguous and vague.

The process of gaining acceptance and usage of a definition, i.e. "the activity of explaining", can take several forms, depending on the context. In academia we rely to a heavy extent on writing. In practice oriented settings other senses may be involved. As such, the activity and validation of definitions may differ in form and process, including formal techniques emphasizing logic and rigor; convention logics; peer reviews; coercive power; opinion leaders; study of literature; empirical evidence; exemplary cases etc.. Central to this, however, is the definition's capacity to provide meaning (in some cases classification) and eventually guide the behavior of its audience. Audiences, however, may differ and their preconception and knowledge of the area may also be heterogeneous. Therefore, the context – the audience – is central, as the audience validates and eventually applies a successful definition, i.e. what is a "necessary and sufficient" description in a classic sense of definitions.

As shown by Ghaziani & Ventresca (2005) the business model has achieved both global as well as local meanings in different communities. As the business model concept reflects a complex reality and has a large and diversified audience, it is no surprise that we find different perceptions and applications of the term. The calls for definitions are often rooted in the particular disciplines of the specific researcher(s). These are deeply rooted in different scientific traditions and approaches (ontologically, epistemologically and methodologically). For the same reason we see different uses of the terms definitions, construct and concepts in different fields. For the sake of clarity we establish the following definitions to be applied for the remainder of the paper: A *lexical definition* is used to describe a general understanding of a term to a wide audience. A *theoretical definition* uses explanations which have

(potential) theoretical and/or empirical underpinnings. It is often used in science as part of *theory*, which – in this paper – is seen rather broadly as a coherent description or explanation of observed or experienced phenomena (Gioia and Pitre, 1990). To describe and investigate phenomena of interest we use concepts and constructs. *Concepts* are used to describe ideas, in their own existence, without necessarily being connected to specific measures or facts, although we specify them through conceptualization or *conceptual definitions* which have the potential to become theoretical definitions whether these are based on empirical research, reasoning, disciplined imagination (Weick, 1989) or yet more flexible terms (Astley, 1985). Concepts may have looser or tighter structural characteristics i.e. embracing different features and/or some kind of hierarchical structure (Laurence and Margolis, 1999). *Constructs*, albeit embracing both objective and subjective dimensions, are more explicitly (defined and understood) related to facts and measures of inquiry. A major part of theory building and verification is the linkage of constructs as theory can be seen as a “system of constructs in which the constructs are related to each other by propositions” (Bacharach, 1989). Achieving clarity on constructs is therefore essential for achieving validity (traceability) and reliability (replication) (Van Maanen et al., 2007). Lack of construct clarity is a typical cause of rejection (Suddaby, 2010) why we return to characteristics of high quality constructs and concepts later.

A Vertical Dimension: Levels of Business Model Understandings

This section argues that business model understanding has a vertical dimension, with different degrees of abstraction which may be useful for different purposes. This is demonstrated by the literal meaning of the business model term as well as some major trends in the current literature.

Business model = “business” + “model”

The “business model” is from its inception a two-dimensional construct. The “business model” (definiendum) – what we try to define – is dependent on the definiens – the terms “business” and “model”. Both terms can be used as nouns and verbs and have been discussed extensively in the literature. For this

reason we will constrain ourselves to summarize some of the major points indicating the challenges.

“Business” – and doing business

To do business is to perform activities (such as transactions) to exchange valuables. Traditionally, a business is related to an entity labeled as “organization”, “firm” or “company”. More recently, however, a major claim in the literature is that business is based on opportunities and activities across organizational entities, thereby partly disconnecting it with the organizational entity.

+ “Models” - and modeling

Literally a “model” is a representation of reality² or an example (role model) to follow. A model can be expressed more or less accurately, with different levels of details, as a pattern, image, physical 3-dimensional model of some fabric, descriptions, mathematical formulas or the like.

Similar to other concepts in social sciences, business models are not physical objects, but social constructs which may be communicated in words or pictures. As business models are embedded in the organization “The actual business model is a highly complex entity that can only be represented through abstraction – so when we talk about a real, objective business model, we are really working with its abstraction” (Casadesus-Masanell and Ricart, 2010). In order to understand a model we apply words, frameworks and tools view grounded in specific disciplines or contexts and we use different levels of aggregation and decomposition depending on the purpose and the audience. At the highest level and without the possibilities to see the details and specification this model may only make sense to a few. On the other hand, a very detailed level may result in a very precise and exhaustive model at the risk of losing the overview of the model. For a cross-disciplinary concept, there may be good reasons to reflect on what influences our perception of models as this may range from ideographic understandings to general and prescriptive (nomothetic) formats of “what constitute a business model”. Further, the different perspectives of models are likely to be present simultaneously thereby posing a potential source of discourse.

Models are the outcome of the activity of modeling. This particular aspect is important as modeling begins with an idea or object which is articulated in the mod-

eling process. Modeling, especially in unknown areas, may also contain an element of learning – some parts may not be possible to realize, linkages or causal relations may be different from what was first anticipated. These processes may actually feedback into the original idea of the model, and as a result the model changes during under the process. Business models can therefore be seen as both static and dynamic entities in addition to being viewed by biased (subjective) individuals.

This literal unpacking of the terms gives us a lexical level of understanding, which make sense and appeals to a broad range of audiences in academia and practice, but it is still a polysemous construct, which meaning can differ – even within communities. Additional definiens in the construct can provide the basis for a more exact positioning.

A brief review of the development of the business model field

This brief review focuses on the major tendencies as well as adding further definiens to establish a definition for the discussion to follow.

Business model definitions grew out of new developments in businesses such as the commercial application of the internet. These new ways of doing businesses seriously challenged the established literature e.g. as a result of challenging organizational borders, transparency in markets, connection of markets (complementary and multi-sided) etc.. Early definitions, however, were heavily influenced by idiosyncratic perceptions of business models (ostensive type of definitions) or stereotyped (archetypical) ways of doing business. However, simple definitions such as a “statement of how a firm will make money” (Stewart and Qin, 2000) have proved to be incomplete, focus only on partial components and ignoring the depth of the business model concept. It also neglects the social impact - or even promise - of business models (Yunus et al., 2010; Thompson and MacMillan, 2010; Seelos and Mair, 2007) and the emphasis on a broad range of stakeholders which has been a theme in the some parts of the literature.

In a few years perception of business models expanded to emphasize its systemic, boundary spanning nature,

reflecting that competition was not just about position, resources or technology (Chesbrough, 2007). It was everything in a dynamic blend. The business model became both a vehicle of change and subject to change it self, thereby raising the question of how it could be understood. Afuah (2004) focused on the value dimensions of business models and provided a framework linking it to established methods in strategic management. The change related aspects of business models led Linder and Cantrell (2000) to suggest avenues of change between existing and latent business models. In addition, it was proposed that business models were also narratives tied together with numbers in “stories that explain how enterprises work” (Magretta, 2002). The systemic properties of the business model became focus of attention. The original definition of Osterwalder and Pigneur (2005) stresses the systemic nature of business models: “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”.

In this variety of definitions, Zott et al. (2011) found similarities and emerging common ground:

1. The business model is emerging as a new unit of analysis,
2. business models emphasize a system-level, holistic approach towards explaining how firms do business,
3. organizational activities play an important role in business model conceptualizations,
4. business models explains both value creation and value capture.

As they mainly addressed peer reviewed publications it is a bit surprising that 37% of the reviewed contributions (n=103) had no definition of the business model at all (19 % used that of others, and the remaining 44% had its own definition (Zott et al., 2011)).

Some of the common ground identified by Zott and colleagues is also present in a series of comparative studies around 2005 aiming to identify common characteristics of existing definitions (Osterwalder, 2004, Scheer et al., 2003). Often cited is Shafer et al. (2005) who examined 12 definitions by assigning 42 different and unique attributes. They concluded that definitions embrace 4 general categories:

1. strategic choices,
2. value creation,
3. value capture and
4. value network.

They propose to “define a business model as a representation of a firm’s underlying core logic and strategic choices for creating and capturing value within a value network” (Shafer et al., 2005). They explicitly stated that the “core logic” element is to emphasize the strategic choices on cause-effect relationships.

Since 2005 there seems to be a convergence around this core understanding of business model. The labelling, however, differs and this is not without significance due to the semantic change of meaning. In particular, the “logic” dimension appears ambiguous. Teece (2010) suggests that business models are a “design or architecture of the value creation, delivery, and capture mechanisms”. Casadesus-Masanell and Ricart (2010), sees business models as a result of “a set of committed choices that lays the groundwork for competitive interactions”, and Zott and Amit (2010) maintain a transaction and activity view. Despite these differences it seems plausible to conclude that there are not an infinite number of possible meanings at the conceptual level.

For the following discussion we apply a conceptual definition of business models as “a focal firm’s core logic for creating, delivering and capturing value within a stakeholder network”. The different conceptions of value remain key in this definition. To maintain a firm perspective, the “focal firm” is included. Similarly, the boundary spanning nature of business models is included in the “network” aspect, which is further

emphasized by the “stakeholder” term rather than the narrower “value network”. “Strategic choices” is left out to apply business models “as unit of analysis” and manipulation, e.g. strategy. “Core logic” is maintained in order to emphasize the systemic nature, related to governance, strategic decision, activities or something different. This conceptual definition is not exhaustive, but it represents the general features in the literature as well it has an underlying cognitive coherence providing us with an understanding of what a business model is (the criteria of necessary and sufficient). It also provides a starting point for more operational definitions as we will see.

Three vertical levels of business model understanding

The analysis moved us from a highly abstract two-dimensional to a more specific multi-dimensional construct which can be summarized in three levels (see also table 1):

Level 1: The literal meaning of business models are about describing ways, realities – current or to be, of how to do business. The level of abstraction is high and so is the range of potential meanings and audiences. At the best, this first, two-dimensional construct can point to the domain of the business model field and invoke already present associations and knowledge. Further explication is needed in order to provide a clearer understanding.

Level 2: A conceptual definition is achieved by assigning more dimensions to the above definition. This brings us a step further toward a theoretical definition. It is suggested to apply the convergent understanding of business models as “a focal firm’s core logic for creating, delivering and capturing value within a stakeholder network”. This core understanding is apparently able to embrace the many variants of definitions. It is also a conceptual understanding which refers to theoretical constructs, indicating a potential of increasingly establishing itself as a theoretical definition. This conceptual definition requires much more of its audience than the level 1 definition.

Level 3: Consists of an operational explicit, construct with a domain of defined observable dimensions and measures for a specific undertaking, such as a research

Table 1: The vertical levels and properties of the business model concept

Definition	Application, nature and scope	Definition type	Coherence and semantic relations
(Level 1) “Business model”	General understanding Pointing to domain Two dimensional construct Linking with practice - simple	Literal, polysemous	Not explicated Ambiguous – key word with global as well as local meanings
(Level 2) “a focal firm’s core logic for creating, delivering and capturing value within a stakeholder network”	Template for operationalizing Multi-dimensional construct indicating domain such as content/features, systemic structure and linkages Advanced linking with practice	Lexical, wide audience appeal Conceptual definition and/or theoretical definition with scientific underpinnings	Intuitively connected, indication of specifics Bridging options with established literature, discourses Bridging with practice
(Level 3) Compliant with level 2 and/or dependent on research objective	Operational construct for specific research Multidimensional construct – with explicit focus and delimitation of domain	Theoretical Stipulative	Explicated Bridging with established literature, discourses (research gaps)

project in academia or a managerial model in practice related situations. A major part of the remaining paper is dedicated to how this can be created and informed by the existing literature.

A Horizontal Dimension: Four Views in Business Model Understanding

This section presents four different views which may be perceived as a horizontal dimension of business model understanding. The four views represent different perspectives on business models identified in the literature. The four views are; the representational view (as depicting what they are); the functionalist view (how they work); the pragmatic view (as a result of practice); the systemic view (how they are linked internally and externally). For each view the aim is to understand the role, perception and nature of the business model construct.

The representational view

The representational view reflects an ideal of business models as a perfect, general, objective (and ultimately true) representation of reality. The business model concept is given denotative meaning by adding dimensions and characteristic attributes. Removing attributes will lead to corresponding loss of meaning.

The representational view provides a core understanding incorporating important features such as the components, configurations and boundaries. It emphasizes a business model understanding as the core unit of analysis, applicable both at macro and micro level. At the macro level this view can provide a general and often decontextualized understanding of platforms of current and potential/latent dimensions and configurations which may be theoretically underpinned and/or operationalized for more specific applications, for instance to

develop typologies of business models (Zook and Allen, 2011; Malone et al.; 2011, Gassmann et al., 2012). At the micro level, a business model may be viewed as the result of past behavior (Casadesus-Masanell and Ricart, 2010; Tikkanen et al., 2005) as well as a platform, or “template” of initiatives (Zott and Amit, 2010)

The brief introduction clearly shows that a representational view – to the extent that it claims a global and stable view – is challenged by the complexity of the real world, such as connotative understandings (e.g. related to industry contexts), as well as threats to the stability of the construct in periods of change in which unknown or latent dimensions of the construct may become visible and critical. For instance, in the early entrepreneurial phases it is evident, that the emergent business model changes significantly as a result of learning, new customers, changes in power balances etc. The current debate in the financial community on the use of narratives and business models in reporting can also be seen as an attempt to “repair” on the shortcomings of a single perspective providing a “true and fair view” of a firm (Beattie and Smith, 2013).

Although an objective representational view is more of an ambition than a reality, it has a strong history and roots in hard (nature) sciences, which still influence our thinking – often implicitly without reflection. As it always strives for perfection, a “better way”, it tends to be elitist – driven by theory and historically with a tendency to deny other perspectives (Deetz, 1996). New knowledge is created on top of existing in a cumulative way, and builds on an advanced, consistent and stable system of language and methods which emphasize generalizations / de-contextualization, validity, rigor, causality, validity and replication. The research process is linear and constructs are determined before data collection. In general, it is silent on actors and the sense-making and narrative character of business models.

The functional view

The functional view focuses on the role of the business model in an institutionalized context. It is a classic foundation for organization and management literature. We briefly explore 3 business model themes within this view: The commercialization of technology, the role in strategy, and an expansion of this with more dynamic perspectives.

The first view is that business models act as means of commercializing technology and ideas into new businesses (Chesbrough, 2006; Chesbrough and Rosenbloom, 2002; Morris et al., 2005; Yunus et al., 2010). As a demonstrative example, Chesbrough (2007) specifically assign the following roles to business models:

1. *Articulate the value proposition, that is, the value created for users by the offering.*
2. *Identify a market segment, that is, the users to whom the offering is useful and for what purpose.*
3. *Define the structure of the value chain required by the firm to create and distribute the offering, and determine the complementary assets needed to support the firm's position in this chain. This includes the firm's suppliers and customers, and should extend from raw materials to the final customer.*
4. *Specify the revenue generation mechanism(s) for the firm, and estimate the cost structure and profit potential of producing the offering, given the value proposition and value chain structure chosen.*
5. *Specify the revenue generation mechanism(s) for the firm, and estimate the cost structure and profit potential of producing the offering, given the value proposition and value chain structure chosen.*
6. *Formulate the competitive strategy by which the innovating firm will gain and hold advantage over rivals.*

Chesbrough and Appleyard (2007) also provide a framework for assessing the business model awareness of companies, ranging from the unarticulated to sophisticated situations of establishing and nurturing own ecosystems, thereby covering both planned as well as emergent approaches to business model dynamics.

A second functionalist view addresses business models fit with strategy processes. Examples of this is the “design” and instrumentalist type of literature such as Osterwalder and Pigneur’s (2010) business model canvass, Wirtz’s (2011) discussion on organizational roles of business models and Chatterjee’s (2013) “simple

rules of business model design". These contributions address the questions of "who has the responsibility for the business model" and the "how and when" it can be applied.

An extension of this adds dynamics to the discussion, incorporating process, cognitive, and structural elements, position, resources, and knowledge dimensions. As already stated business models can be seen as outcomes of strategic decisions (Casadesus-Masanell and Ricart, 2010; Tikkanen et al., 2005), which still leave many manifestations at the tactical and operational level open. In particular, some of these options may create mutually reinforcing virtuous circles of actions and processes (Casadesus-Masanell and Ricart, 2011), thereby opening an discussion on the balance between replication and innovation of business models (Dunford et al., 2010; Aspara et al.) and evolution of business models (Demil and Lecocq, 2010; Morris et al., 2005).

Common for these is an ambition to look for patterns in the development. The underlying consistency view also becomes apparent in potential synergies and conflicts when multiple business models are present (Zott and Amit, 2008; Velu and Stiles, 2013; Casadesus-Masanell and Tarziján, 2012; Markides and Charitou, 2004). The functionalist view does not necessarily require a very precise ex ante definition of a business model but it does assign an, ex ante, often deterministic role to business models and what type of questions they address. This classic functionalist view contributes more to theory refinement and improvements of (instrumental) knowledge than in more radical types of change with less predictability and un-linear nature. Further, the classic functionalist view emphasizes the institutional context and it is silent on the role of actors as they act within the institutional frames.

The pragmatic view

As the research community failed to identify a generally accepted definition, it was suggested to "trust the practitioners" and their use of business models (Doganova and Eyquem-Renault, 2009; Lecocq et al., 2010). The pragmatic view assigns value to concepts by their successful practical application, i.e. it assigns greater value to the connotative than the denotative meaning of business models, and tends to avoid the definition challenge. In this view the business model

is the solution to a problem and a result of entrepreneurial activity. The view is supported by observing the activities of entrepreneurs in the process of taking an idea and turning it into a new business. The emergent business model circulates in various and shifting manifestations (business plans, elevator pitches, budgets etc.) among actors in different worlds. In doing so it exhibits the capacity as a boundary object being simultaneously robust enough to maintain meaning while adapting in a process which answers questions related to the balance of resource contributions and rewards (Doganova and Eyquem-Renault, 2009; Verstraete and Jouison-Lafitte, 2011). Similarly, Ahokangas and Myllykoski (2013) show us that business models change in content and risk, and Lund and Nielsen (2013) that the role, contribution and value capture dimensions may change significantly during the process, following the "effectuation" behavior of entrepreneurs (Sarasvathy, 2001) and pointing to the limits of the functionalist and essentialist view.

The business model works both as a narrative and calculative device (Magretta, 2002), thereby linking sense-making literature and actors (e.g. entrepreneurs, managers) in what Perkman and Spicer (2010) describe as elements of a theory of performative representation, providing three core roles of convincing, legitimizing, and guiding social action. This is also an important aspect in periods of significant change in established organizations and this could link the business model field and "strategy-as-a-practice" field (Johnson et al., 2007). The pragmatic view is not limited to new businesses or organizations in isolation. Lindgren et al. (2010) examines innovation of business models in networks, and Wikström et al. (2010) demonstrate how business models in project based firms are influenced by actors, and Heikkilä and Heikkilä (2010) discuss alignments and conflicts in establishing joint business models.

In the pragmatic view the business model is a result of problem solution. There are possible, but no exact pre-defined formats, roles or functions assigned to the model. The business model serves as a boundary object but it has no ex ante predefined format as this is created and changed in the process between the actors. The business model has a fundamentally subjective nature, due the linkages with the surrounding actors. Existing

theory and reviews are therefore playing a less dominant role than in the other views but may provide first input (e.g. frameworks) for initiating a process. The research process is likely to be shifting between practice and theory (abduction) and is often very close to the field. Although research in this view is basically local and emergent of nature, the final model and findings can still be mirrored against more general definitions or used for analytical generalization (Yin, 2014).

The systemic view

The development of systems theory – although dating further back – accelerated after 2WW. It is worth noting that especially biologist Bertalanffy saw systems thinking as an important way to link different disciplines and avoid compartmentalization of science (Scott and Davis, 2007). There have been many applications of a systems perspective in business research, including operations, it and organizational learning (Skyttner, 2006; Scott and Davis, 2007) and the systems perspective is also clearly present in various management methodologies and representational models of business activity, including the previous views.

Although the systemic nature of business models has been stressed consistently, it is rarely addressed more explicit. Amit and Zott (2012) apply a systems view by elaborating on their original business model definition Amit and Zott (2001) as “content, structure and governance of transactions designed so as to create value through the exploitation of business opportunities”. Business model innovation can therefore be seen as either directed inwards or adjusting to the environment. They also draw on their previous empirical research to show how business models can generate competitive advantage from novelty, lock-in, complementarity or efficiency effects. Also applying a systems view Berglund and Sandström (2013) focus on the relation between a focal firm and its environment and develop hypothesis of development on the interaction. In a larger perspective this connect the business model to the relative importance of the firm based business model vs. multisided markets, complementarity of business models, networks or eco-systems in competition and development dynamics (Hamel, 2002; Chesbrough, 2006). Sánchez and Ricart (2010) specifically address the openness/closedness dimension of business models and the relation to low income markets. These per-

spectives may be important in understanding whether business models can “create” new markets by turning latent demand into actual demand.

The systems perspective and the business model concept can be seen as compatible concepts as they both deal with purpose oriented input-output relations directed at stakeholders and with transformative mechanisms in-between. Since a system is more than the sum of its parts, removing one or more dimensions will make it incomplete and incoherent. Other characteristics are shared with the business model concept:

1. the specific content / conceptualization is not pre-defined and potentially rich in aspects,
2. the level of abstraction is not pre-defined,
3. an open system is in principle without boundaries,
4. systems are rich on relations (logic, architecture ...), and
5. they can both be manipulated by agents.

Both systems and models can be broken down in subsystems which can be analyzed in further depth (e.g. ecosystem, industry, stakeholders). For instance each of the possible dimensions of the business model construct may be perceived as a system on its own (e.g. value creation system, value delivery system etc.). Also complexities such as system dynamics, system “fits” i.e. interactions (alignment and misalignment) of systems applies equally well for both models and systems. It should be noted, however, that the systems perspective has received critique similar to the business model concept. At the general level, systems are not easily defined and too open for some audiences (see e.g. (Skyttner, 2006)). It is also evident that the systemic nature is present in the background of the other views (e.g. organizations as rational systems to attain specific goals in the functional view).

Applying an explicit system view provides a more general approach to business models – it applies equally well to entrepreneurial as well as more “established” settings, although still bounded by the context of the defined systems. By linking business models, the sys-

tems perspectives and connecting to the disciplines and nomological worlds of business research and management it becomes less abstract and offers new opportunities for bridging across disciplines. Additionally, in the academic environment a systems view may provide a potential platform for mapping, coordinating and operationalizing research projects which may also include new methods and fields (e.g. complex systems theory).

Business models - the horizontal views

As we have shown there are several ways to understand business models, but the call for definition may - intended or not - be rooted in the representational and influenced by a functionalist view. The definitions and constructs generated by these views may not be equally relevant or appropriate in all cases. Some common themes across the views are:

First of all, the purpose, the origin of the research question, and the type of data needed, has important implications for establishing a proper business model construct and when this can take place. This may sound obvious, but reflections on the deeper scientific aspects and the current practice so far, reveal that the cross-disciplinary and multi-view nature has been a source of confusion when researchers try to understand contributions from other views. This aspect is also related to issues of general validity and generalization, i.e. whether these apply at a local level, relativist level, within particularities of the specific study, within the related disciplines, or a general (universal) level of claims.

Secondly, a large part of the discussion is centered on how business models relate to actors, processes, and outcomes, i.e. whether they are part of or "external" to the model. For purposes of understanding, analysis and theory building it will be useful if this is explicated. For instance, business model dynamics may change from being dependent on a visionary entrepreneurial leader to being embedded and institutionalized in organizational structures and processes. This has clear implications for how actors should be included or related to the business model definition. In fact, business models are not always the main subject of analysis, but a vehicle to understand other phenomena.

Thirdly, the stability and format of business models and constructs are not given. Businesses change both in terms of resources, relations and "logic". This challenges the possibility of having an accurate depiction of reality. A too narrow construct may not be able to capture empirical observations and therefore not be able to explain causality, especially in longitudinal research. A broad construct will generally be able to capture a broader scale of change. A possibility is to define latent dimensions of business model change.

Fourthly, it should also be noted that the views are often mixed in practice: For instance, research conducted in the pragmatic view may have conclusions delivered as "tools" which may have the character of functionalist determinism. The views can be seen as competing, but probably a better way is to see them as complementary, especially when dynamics are present (see also discussion and implications).

Fifthly: Although the systemic point of view is embedded in the other views, it is worthwhile to separate it out, to understand its potential benefit for both single research purposes but also as a perspective on business model research at a more general level.

The findings are summarized in table 2 and 3. Table 2 provides a general overview, and table 3 provides details of the business model constructs. These are ideal representations of the views for the purpose of establishing completeness, pointing to meaningful differences rather than exclusive classification, and with a note that they may not be without internal challenges.

Table 2: Business model views, their purposes and examples of presence

View	Business models as representations of reality	Business models serves specific functions	Business models as outcomes of relations between actors	Business models as (open) systems
Purpose	Objective representations, "snap shots" Search for general and causal relations – grand theory	Theory refinement - fit with role, hierarchies and consensus Insights and/or normative	Understand practice of problem solution Challenging established theories, new insights Understand interplay between actors	Holistic understanding of different systems, their components, interactions and dynamics at macro and micro level Integrative platform
Examples of presence and usage	Theoretically driven research, business model frameworks, business model typologies	Theoretically based research on existing, renewed and new business models in established companies	Grounded research in entrepreneurial and change oriented situations Exemplary cases for inspiration	Understanding of interplay between businesses and their environment, e.g. ecosystems, clusters, complementarity, multisided markets

Table 3: Variations in the business model constructs in the 4 views

View	Business models as representations of reality	Business models serve specific functions	Business models as outcomes of relations between actors	Business models as (open) systems
Role of theory	Theory driven / testing Linear, planned, deductive, causality	Theory testing / driven, causality, deductive, linear	Theory creation / application / challenging - Looking for the unfamiliar Abduction	Integrative views / dependencies Integrative platform for research programmes
Context	De-contextualized	Contextualized by disciplines and institutional frames	Contextualizing within stakeholder environment	Contextualizing and contextualized within focal system(s)
Nature of business model construct	Unit of analysis - objective, measurable, depicting (actual and possibly latent) components and configurations Exact, stable construct and identifiable causal linkages	Construct fulfills objective (real), general functions Flexible construct within boundaries of generic purposes	Boundary object Frameworks and facilitation may guide business model conceptualization Dynamic construct under transformation	Emphasis on part-systems, components, linkages, and feedback Boundaries / open-closed / levels / Static-dynamic Multiple business models

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Table 3: Variations in the business model constructs in the 4 views

Timing: Availability of construct	Construct ready before research – desk	Predefined assumptions on function – desk Business model becomes conceptualized in process	Business model becomes conceptualized and/or modified in interactive processes in field	Ex ante perception or creation through explorative investigation
Actor role	External (silent)	Silent - adapting to institutional regime	Actors as creators	Self-regulating or actor influenced systems
Risks	Too narrow - lack in comprehensiveness and practical applicability	Too constrained by existing knowledge	Reinvention of existing knowledge	Too general, losing relevance and meaning

Discussion and Implications

To discuss the implications we initially discuss the issue of not having a definition at all, the benefits and challenges of multiple views, and then proceeds with a discussion of different situations where we need definitions: when establishing research projects, communicating with practice, and finally, when communicating with colleagues.

Advantages of not having a definition?

In general it can be argued that a grounded – or feyerabendish – approach with no or limited prior concepts and methodology is appropriate in contexts with no or limited prior knowledge or if a fresh approach is needed. The business model field is not virgin territory as there is currently a wide range of perceptions of business models, ranging from more systematic approaches to more intuitive approaches. Typically, all kind of actors will have some kind of prior bias, assumptions and predefined ideas about business models which cannot be ignored. Consequently, it can be argued that having no definition imply the risks of

1. being misunderstood as readers base their judgment on their own business model perceptions,
2. insufficient positioning of – and weak constructs in the research, and

3. bad “research economics” by not building in existing knowledge.

All risks are latent in the 4 different views, but highest when ex ante designs are needed. It generally seems appropriate to apply a reflexive approach to the existing body of knowledge and explicate the definition.

Business models understandings as a semantic field embracing a core understanding with multi-levels and multiple-views

The business model field can be seen as a large semantic web of multi-levels and multi-views with a common, core understanding. Based on Astley (1985) this situation may be ascribed to three causes:

1. the business model field is immature and the core definition will develop as our knowledge accumulate,
2. the business model field is a multi-view field and cannot be embraced from a single view,
3. the popularity of the business model field is due to publication driven need for “newness” and interesting stories.

A call for a single, all-embracing definition rooted in the essentialist tradition mirrors a specific view on science as progressing linearly by building cumulatively

on prior knowledge. Although valuable as a platform of potential dimensions of more operational definitions, the underlying “consistency view” of such a position is not without problems as reality is difficult to embrace in one view. Further, it may lead to incremental and insignificant findings with limited application (Astley, 1985). Instead of trying to force-fitting other perspectives into one view, with potential side effects of rejecting other perspectives, it seems more productive to allow multiple perspectives to co-exist and inform each other: Multiple perspectives generate more complete knowledge for a complex construct phenomena as business models, just as it is characteristic that a multidimensional construct is more than the sum of its parts (Suddaby, 2010). In addition to this, the interest in the business model as well as the different perspectives may be seen as a result of necessary additions to the established knowledge. As it will be noted, the above arguments are based on complementarity and does not suggest that the views are necessarily (fully) comparable or compatible (the debate of the paradigms and compatibility – incompatibility theses).

In specific projects, a combination of views could be seen as a way of triangulating. This may provide further insights of inspiration (in case of variance in findings), strengthening findings (parallel findings), or – especially in dynamic settings - tracking changes and shifts in relevance across the views.

Another part of the critique is related to the theoretical underpinning and the theoretical maturity of the business model. Rather than trying to connect it exclusively to one specific theory, it may be possible to connect it to more theories due to its cross-disciplinary nature. It may be argued that the relevance of the business model concept is related to its holistic nature and embracement of multiple views. All research carries limitations and we always view business models with only a partial view. However, the limitations and focus of a specific research project may reduce the relevance of the business model concept to a point where the project may be approached in a traditional “silo”-way by established disciplines. This touches on a related question of “what is business model research?” Key elements of an answer may include elements of its systemic nature, involving multiple levels, components and perspectives across disciplines. Allowing multiple perspectives on

business models to co-develop may be the best way to inform the understanding of the core definition.

Definitions for research projects: Need for construct clarity (level 3 definition)

Construct development in the business model field is challenging due the scope of the concept.

In general it is recommended that academics should define their purpose and usage of the business model concept and avoid implicit definitions which have been the case in the past (Zott et al., 2011; Zott and Amit, 2013). To facilitate knowledge accumulation, it is suggested - for the lack of better - that academics join the emerging core understanding (level 2 conceptual definition) or at least explain plausible deviations (such as challenging it) from this. This level of understanding may be sufficient for cases of general references and discussions when the business model is not the main unit of analysis. For other purposes it needs operationalization, by clarifying what aspects of the business model concepts are investigated as well as clarifying the relation to the conceptual definition.

Suddaby (2010) argues that clarity of a construct can be assessed by four characteristics which mutually reinforce each other:

1. clear definition,
2. a clear sense of the scope,
3. semantic relation to other constructs,
4. coherence.

Specifically, our analysis point to the importance of the origin of the research question in combination with a view, or mix of these, with implications in relation to the research design and the research process, the static/dynamic aspect, the focal area of the business model, the components and their linkages, and the level of operationalization. Finally, the semantic relations to the involved disciplines and the business model field must be explained to ensure relevance and theoretical underpinning. Building on the previous analysis and discussion – this can be integrated in five steps as suggested in table 4.

Table 4: Five steps to achieve clarity of business model construct for specific research project

Key questions	To consider
1. What is the origin of the research question?	Theoretical or empirical origin of research question Timing of conceptualization of business model
2. Which perspective(s) are relevant?	The role of the business model: Depicting reality, general causality – a representational view Understanding role – managerial and organizational – a functional view Understanding motivation, actors and outcome – a pragmatic view Understand feedback, regulation and dynamics – a systems view A mix of above – fit with research design
3. What content is needed?	Required breadth/focus of business model component/functions Required level / depth of each component / function Static / dynamic, stable or flexible – prior, current and latent components Boundaries (to other systems, levels, actors etc.)
4. Which ties are important?	Ties between content elements Static / dynamic, stable / flexible - e.g. new prior, current, latent ties
5. What are the semantic relations and position of the research?	Semantic relation to high level business model concept Semantic relations and potential discourses with established management research and practice areas Position and relation to business model research

Definitions when dealing with practice

One reason for the popularity of the business model is quite simple: Business models may be good stories, providing cases for inspiration. They constitute good bridging options between academia and practice, whether this is at the more general level on the role and utility of science, general communication or in specific engagements (Clegg and Starbuck, 2009). In both cases, however, academics face two audiences: Their academic peers and practitioners. These may have different prior knowledge on business models, why it may be necessary with simultaneous and dual constructs. A practice oriented audience cannot be expected, at least initially, to have the same in-depth knowledge of state of the art definitions and perspectives as academics. Therefore simpler (lexical), abbreviated definitions or exemplary (ostensive) definitions may be useful for such audiences to convey the meaning of the concept.

Depending on the circumstances, the initial understanding can be enhanced / deepened over time, possibly by the application of various frameworks. In such situations the researcher uses a level 2 definition in the communication with practice and a level 3 definition in the actual project. In practice this may require considerable attention in the communication and analysis in order to achieve precision and avoid confusion (e.g. by mixing definiens and definiendum).

Definitions when communicating with colleagues; improving business model understanding

The business model literature has been able to capture many of the recent ways of doing business related to new opportunities, new technologies and the increasing awareness of other stakeholders than sharehold-

ers. In this way, the business model literature has challenged established theories. This is still reflected in special journal issues where it is common to see very broad research agendas covering customer responses, eco-systems, scalability, internal processes, competition, and organizational linkages with business models (Björkdahl and Holmen, 2013; LaPlaca, 2013; Robins, 2013). Responses, however, are often – and naturally – unorganized and fragmented.

The holistic characteristics of business models create a potential to bridge management research across disciplines. The business model concept has different theoretical status and maturity in different fields. The semantic and nomological relations of the business model construct are critical for bridging the business model field and these disciplines, across deeply institutionalized meanings of the terms. For instance, “value” has different meaning in marketing and finance. This sort of linguistic ambiguity is not unusual in administrative science, it can be a source of fruitful insights, and often theory development actually depends on it (Astley, 1985). A second aspect of bridging is the motivation, ability and potential conflicts of joining a more holistically based perspective rather than pursuing a strong disciplinary and narrow path. This may require adaption of research practices and terms in the disciplines involved. For instance, the perceived importance of empirical evidence and more conceptual thinking (disciplined imagination) may differ between disciplines. Therefore, such initiatives as reviews seen from special disciplines, such as Industrial Marketing (Coombes and Nicholson, 2013), or suggestions for positioning the business model in an extended strategic research domain (Priem et al., 2013), or open research agendas (e.g. Zott and Amit, 2013, Baden-Fuller and Mangematin, 2013) must be welcomed. Bridging would probably create a win-win situation: Our understanding of the business model concept may be improved, theoretically underpinned and individual disciplines may achieve a better understanding of their contributions to the holistic idea of a business. This may facilitate both inspiration, better positioning and focus of research and maybe even provide a kind of more elaborate Lakatonian style research programmes. Systematically organized programs with a portfolio consisting of multiple views may be one practical way of doing this. Other ways

could be to include researchers from different disciplines in specific project teams.

It may be a relevant to ask if anyone – and in that case, who – should take responsibility of the concept and its development? Should the concept be reserved for the strategy field? Or should it have its own domain or be incorporated / diffused into specific fields. Where will it have its greatest value and impact? Is there a need for “middle layers” of business model definitions between the general definition and specific disciplines reflecting the strategic dimensions of these (strategic marketing, strategic IT, etc.)?

Concluding Remarks – Do We Need One Business Model Definition?

Definitions – to some extent – share purposes and characteristics with models. They help us understand and classify constructs, and they guide us in situations where we have to orientate our behavior. Neither definitions nor models are necessarily exhaustive, precise and static and heavily dependent on the audience.

The relevance of the business model concept must be judged on its ability to reflect the real world of business in a better way than alternative approaches, i.e. whether we better understand the reality of 5, as 5 itself or by seeing it as the sum of $3+2=5$ or $I+I+III = V$. Reflecting this, the business model literature is wide spanning, cross-disciplinary, cross-organizational, boundary spanning and systemic by nature. At the higher level we find the broad understanding pointing to the domain of the business model. We also find a multi-dimensional concept indicating the business model components and their potential linkages, sharing an understanding of business models as embracing critical elements of the “logic” of value creation, value delivery and value capture and the ways these are organized in a stakeholder network. This concept maintains its meaning but takes different forms depending on perspectives such as depicting reality, element of process, its outcome or as a part a system. Rather than trying to achieve one single, generally applicable and exhaustive definition, these complementary and different views may be applied to build and elaborate on this core business model understanding. In sum,

the views provide an understanding on the “what, why, how and when” of business models as a holistic and dynamic concept.

In conclusion: We need – not one – but more - definitions building on a shared understanding. The current and shared convention may be sufficient for the general understanding; in many cases a more explicit definition is needed, important determinants being the

audience and the purpose. As such, it may be argued that the real value of the business model construct lies not in the precision of its definition, but in its role as a boundary object between different disciplines and between academia and practice. At least for a period, a more systematic approach to coordinating business model research around the emerging core understanding may be more fruitful than trying to develop new definitions.

Endnotes

- 1 Websters dictionary (1989) offers more than 17 definitions on business and 21 on models. Only the relevant and central ideas are provided here.
 - 2 Many more aspects of models in the introduction to Long Range Planning, April 2010 issue, Baden-Fuller & Morgan
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