3

Comparing Business Model Frameworks

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Abstract

The focus in this chapter is primarily on the dimensions and construction of the proposed frameworks of business models (BMs). BM frameworks have been a central part of the business model community's research and discussion for many years. BM frameworks have been paid a great deal of attention in the academic business model community – however, nobody has found the generic BM framework or empirically proved one.

The BM Canvas by Alexander Osterwalder (Osterwalder 2011) is still the most well-known BM framework worldwide. But other frameworks have been proposed and new ones are emerging. In this chapter, I try to discuss some of the most well-known BM frameworks and bridge them to each other. The aim is to find BM constructions and dimensions that everybody seems to acknowledge. I also try to discuss and find those BM dimensions that distinguish BM frameworks from each other, overlap and point to dimensions that seems to be lacking.

3.1 Introduction

As the amount of literature concerning business models (BMs) has increased in recent years (Teece 2010; Zott et al. 2010; Kremar 2011) a definition and a generic framework – and some say a language – of the BM have been much needed. Nobody can explain why it is so difficult to find the generic framework – and why this search has been so long underway.

However, many can understand why academia in the business model community cannot agree. Of course it would be tremendously prestigious to be the father or mother of the BM language or framework.

However, contrary to how research in the healthcare and technology fields of science are carried out, many of the existing proposed BM frameworks and languages are not empirically tested. They are just BM framework concepts

and languages that would doubly function if they ever were "implanted" to "the patient" – the business.

All this conceptualization has led to a large variety of definitions in scholarly and practical literature (Magretta 2002; Chesbrough 2007; Johnson et al. 2008; Osterwalder 2011; Gassmann et al. 2012). However, none empirically proves their own framework.

A commonly accepted generic language and framework of the BM, therefore, has been and is much needed. For many years it has been needed to embrace the opportunities but also the challenges of business models and business model innovation (BMI). A commonly accepted BM language would enable BM research to take one step towards becoming an accepted academic theory. In Table 3.1 we point to some of the advantages in having a commonly agreed upon BM language and framework.

3.2 Comparing Different BM Frameworks and Languages

In our study that began in 2006 in the ICI research group and continued later in the MBIT group, we began carefully "bridging" BM frameworks from different business model frameworks to each other as can be seen in Table 3.2.

In 2011 ICI had tried to "bridge" some of the most developed and acknowledged BM frameworks (Osterwalder's Business Model Canvas (2011); Johnson, Christensen and Kagermann's BM framework (2008); Chesbrough's BM (2007); and many more models and frameworks) to the BM Cube concept.

This research work was carried out within the EU Horizon 2020 project – Neffics (Neffics 2012) and a part of the result is shown in more detail in Figure 3.1, for example the BM canvas framework model (Osterwalder 2011) and the Johnson et al. framework model (Johnson et al. 2008).

As a result of this work we found generic BM dimensions that most theorists seemed to acknowledge – in particular, that a BM has value propositions or value offerings, that a BM has customers, that a BM has key functions, processes or activities that it carries out and that it uses key resources or competences. In Table 3.3 we map those dimensions that we found were most agreed upon, were missing and that there was some confusion around.

In Chapter 4 we discuss why we added some dimensions to the BM that our research found were missing, especially **users, relations, value chain functions (secondary functions), competences (technology, organizational systems, culture) and value formula (other values)**.

Based on our research we also discuss why we believe that some BM frameworks are too complicated, have overlaping dimensions and therefore

Table 3.1 Over all benefit categories of a common accepted and agreed upon BM language

Overall benefit categories	Benefits in detail
Interoperability in BMI	- Ability of devices and BMs to work and innovate together relied on BMs complying with standard language of BM
Support of government policies and legislation in BMI	- Standards, IPR and Patents of BMs could play e.g. a central role in the global and regional BMES policy. Standards, IPR and Patents are frequently referenced by regulators and legislators for protecting user and business interests, and to support government policies
Increase in interdisciplinary BMling across vertical and horizontal BMES	- Increase in interdisciplinary BMing across vertical and horizontal BMES due to possibility to "talk" together across BMES, Businesses, BM and thereby competences and background
Increase in BMI Technology development	- Would provide a solid foundation upon which to innovate new BMI technologies, new learning and new knowledge on BM and BMI to enhance and advance existing BMI practices
Provide economies of scale in BMI	- Would provide business to being able to "produce" and "innovate" "large bats" and invest in "mass production" of BM's
Encourage BMI and more BMI	- Standards provides business with developing BMI further on behalf of standards
Increase awareness of technical developments and initiatives within BMI and BMI technologies	- Provides platform for increasing awareness - Would provide a greater variety of accessible BMs to consumers
User, Consumer, network and "things" choice of BM and BMI would be easier to adapt	- Provide the foundation for new features and options, thus contributing to the enhancement of daily BMI – user-driven BMI, interdisciplinary BMI
Safety and reliability in BMI	- Would help ensure safety, reliability and business care. As a result, users, customers, network, competences and businesses in general would perceive standardized BM language as more dependable – this in turn would raise these stakeholders confidence, increasing sales and the take-up of new technologies and business models for BMI
Advance BMI	- Would provide a solid foundation upon for research, learning and new knowledge on BM and BMI to enhance and advance existing BMI practices

In essence, if a common or standard BM language – or a standard BM language – was accepted, present and agreed upon it would amongst others be possible to gain many benefits of BM and BMI.

Table 3.2 Business model dimensions and components

Source	Specific dimensions and components	Number of BM dimensions	Empirical support Y/N	E-commerce (E)/ general (G)/other (O)
Abell (1980)	Customer function, customer group, customer technology	3	Y	G
Porter (1985)	Suppliers, buyers, competitors, new entrance, substitutes	5	Y	G
Porter (1985)	Value chain activities – primary and support activities		Y	O
Sanchez (1996, 2000, 2001)	Product, process, technology, market, organizations, knowledge architecture	6	Y	G
Morris et al. (2003)	Value offering factors, market/customers factors, internal capabilities factors, competitive factors, economic factors, personal/investor factors	6	Y	G
Von Hippel (2005)	Users		Y	O
Goldman, Nagel and Price (1995)	Network, competitors		Y	O
Vervest et al. (2005)	Network		Y	O
Prahalad and Hamel (2005)	Competences		Y	O
Chesbrough (2007)		6	Y	G
Johnson et al. (2008)	Value, customers	4	N	G
Casadesus-Masanell and Ricart (2009)			Y	G
Casadesus-Masanell and Ricart (2010)	Value creation, value delivery and value capturing	3	Y	G

(*Continued*)

Table 3.2 (Continued)

Source	Specific dimensions and components	Number of BM dimensions	Empirical support Y/N	E-commerce (E)/ general (G)/other (O)
Zott, Amit and Massa (2010)			Y	G
Fielt (2011)			Y	G
Lindgren, Jørgensen et al. (2011)	Value proposition, customers, profit formula	7	Y	G
Porter and Kramer (2011)	Values, customer, supplier		Y	G
Gassmann et al. (2012)	Value creation, value delivery and value capturing. Adapted by the elements of a business model (Casadesus-Masanell and Ricart 2010).	3	Y	E/G
Lindgren and Rasmusssen (2013)	Value proposition, user/customers, value chain functions, competences, network, value formula, relations	7	Y	G
Baden-Fuller (2015)	"Who is the customer?", "What is the value created for that customer in his or her interaction with the firm?" "How is that value to be monetized (directly or indirectly)?" (see Teece 2010; Baden-Fuller and Haefliger 2013; Baden-Fuller and Mangematin 2013).	3	Y	G

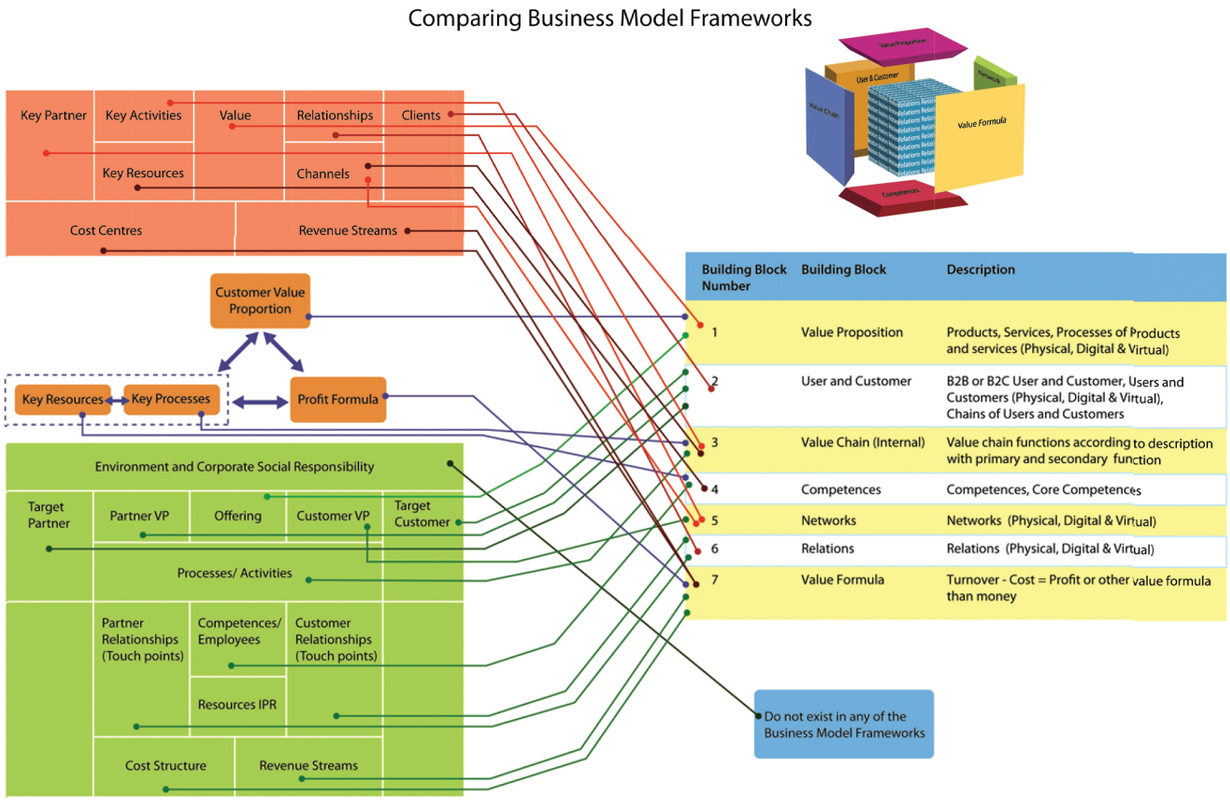

Figure 3.1 Comparing three business model frameworks to the business model cube dimensions.

Table 3.3 Business model dimensions agreed upon, missing or not defined clearly

BM dimension/s	Agreed upon	Missing	Confusion
Value proposition	Products	Several BM frameworks miss the service and process of the value proposition (process of product and services offered). Several miss digital and virtual value propositions and do not consider the integration of physical, digital and virtual value proposition	Some BM frameworks talk about values of a BM as a core value of the business but this is not equal to the value proposed to the user or customer
Users and customers	Most frameworks have customers	Hardly any frameworks consider users as a part of the BMs or relevant to the BMs	
Value chain functions	Most frameworks include activities to be carried out	Most frameworks lack the focus on primary and secondary functions or activities to be carried out	Some BM frameworks talk about activities or value chain functions as related to a value chain of suppliers, manufactures and customers
Competence and capability		Most BM frameworks do not cover the organizational systems and culture of BMs	
Network			Network partners
Relations			
Value formula	Most BM frameworks cover profit formula	Many BM frameworks do not include profit formula and most BM frameworks do not consider other values than money	Revenue stream, cost structure
"As-is" and "to-be" BMs	Most BMs' frameworks work with the operating BM	Most BM frameworks do not operate with "to-be" BMs. Most BM frameworks work with "to-be" BMs on an ideation and conceptualization basis but do not consider how to prototype and implement these	

need to merge some dimensions. We found that some BM frameworks had BM dimensions that were overlapping – e.g. in Osterwalder's framework we believe cost structure and revenue stream could with advantage be merged to one BM dimension (Taran 2011). According to other academic frameworks, a profit formula explains very well a BM's calculation method to ascertain price and costs. Further, we found that it is not the revenue stream and the cost structure that are essential for the BM to operate – it is "the calculation formula" that is vital.

In our research we also found that some dimensions proposed in different frameworks had to be taken out because they were not vital for an operating BM. We found that they were not really present and not really necessary to operate a BM or allow a BM to operate. This is probably due to the fact that our approach was very much focused on the micro dimensions and components of the BM and that we left the macro dimensions to the BMES. Therefore, we left out environmental and corporate social responsibility; further, we took out strategy, as we relate this to BMI and especially the "sensing" part of BMI.

We comment on those dimensions and terms that we found were confusing or not clearly defined. Cost structure and revenue stream are, for example, more a result of an analysis of costs and revenue but not really something that is vital for a BM to operate. A BM can have a certain cost structure but that does not mean that it will operate, or not operate. We relate this to the Ryanair BM example. Everybody knows that it is impossible cost structure-wise to fly a passenger from London to Athens for one euro. This does not mean that the BM is not operating and cannot operate. In fact it does. In other words the "BEE" or the BM "flies", but seen from a cost structure and revenue stream perspective it should not even be able to "take off".

We tried further to leave out words and classification of dimensions and components such as "partner", "target" and "key" in our framework. We found that these words are confusing and signal a strategy decision or classification that when one studies the BM carefully might not have anything to do with what and how the BM is really operating. A business might have a key partner or a target customer, but in fact the BM does not or may not even involve these in its BM operation.

We acknowledge the latest development of BM frameworks – the process BM view (Casadesus-Masanell and Ricart 2010). However, we relate the process view to the BMI process and, further, to the value proposition process that all business and business models must take into consideration. We very much agree that BMI and businesses in the future must focus more on the process view – and leave, for example, the focus of a product and service. It is the value proposition process, for instance, that is important and critical to the

Picture 3.1 A full BM value circle in a very simple market.

customer, the network and even the employee. However, we have augmented the process view (Casadesus-Masanell and Ricart 2010) with the receiving and consumption parts, so it includes and completes **the total value process for a BM**:

Create – Capture – Deliver – Receive – Consume

If a BM cannot ensure, or a business is not aware of, the entire value process for a BM then the BM will not work as intended and the value proposition will maybe never reach and be consumed by the customer. Further, the BM will not receive any value back from, for example, the customer, and the BM process will thereby not be fulfilled – which is critical for the BM and also to classify a sale as finalized (Kotler 2004). Kotler says in that case there is no market and no business. In Picture 3.1 we show how the full value circle can look in a very simple BM context. Value created, captured, delivered, received and consumed.

In this case example the buyer receives value in the form of a product and the seller receives value in form of money. We will discuss this further in the following chapters because this may be too simple a way to consider and work with BM theory.

The result of our long research work, with numerous BM cases and businesses, resulted in the proposal of a generic BM framework that we called "The Business Model Cube". We explore this in Chapter 4.