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Reasoning with Business Models: Categories, Technologies and Resources

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Abstract

Whilst the populist literature ascribes the term business model to many things, the academic literature is fast converging on what is a useful way to see this concept. The business model is a mechanism or device that can be used to explain, model and understand how an organization can identify its customers, engage with those customers, deliver and capture (monetize) that value. A business model is therefore a cognitive instrument with which managers, researchers and observers can reason, make sense of, argue about; persuade and enact. It is also a tool that can explain what has happened.

We identify four *Elemental Business Model Categories*[™]: Service (work-for-hire); Product; Market (matchmaking); and Platform. These elemental types are distinguished by two dimensions that are associated with a substantial body of academic knowledge spanning many decades; namely how the business models identify and engage with customers (dyadic or triadic in the terms of sociology of networks); and how they mobilize knowledge (knowledge mobilized by service or embodied in a product in economist language; and knowledge in brokerage of *gaudens* or *iungens*). To make the elemental types more understandable and useful, we explain how we have constructed a freely available *Business Model Zoo*[™] of exemplars.

Finally, we explore why this categorization might be useful in shedding more light on old questions such as: why digital technology affects different firms differently; why firms find it difficult to change. We also speculate that the categories may set an agenda to appreciate how the digital economy interacts with property rights across the business landscape.

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Charles Baden-Fuller is the Centenary Professor of Strategy and leader of the Strategy Group at Cass, ranked Global Top Ten by the Financial Times MSc survey of 2009 and top ten by the Financial Times MBA survey of 2011. He is famous for his strategy insights into the management of mature firms written up in many academic articles and his (coauthored) Harvard Business Press 'Rejuvenating the Mature Business'. He is also well known for his work on networked organisations and the management of young high technology firms, particularly in drug development-biotechnology. He was editor of the ground breaking special issue on Business Models in *Long Range Planning*, 2010.



Supported by an international team, his current research examines Business Models: what they are, how they can be improved and how they can be deployed in an increasingly digitalized world. The team is composed of academics based at Cass Business School, Sussex University, LSE, CREATE-Glasgow, Grenoble EM, and the Wharton School; by more than £1.5 million of research funding from RCUK, EU and Mack Institute-Wharton School.