

Business Models – Strategic Foundations, Innovation and Cognition

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Business Models

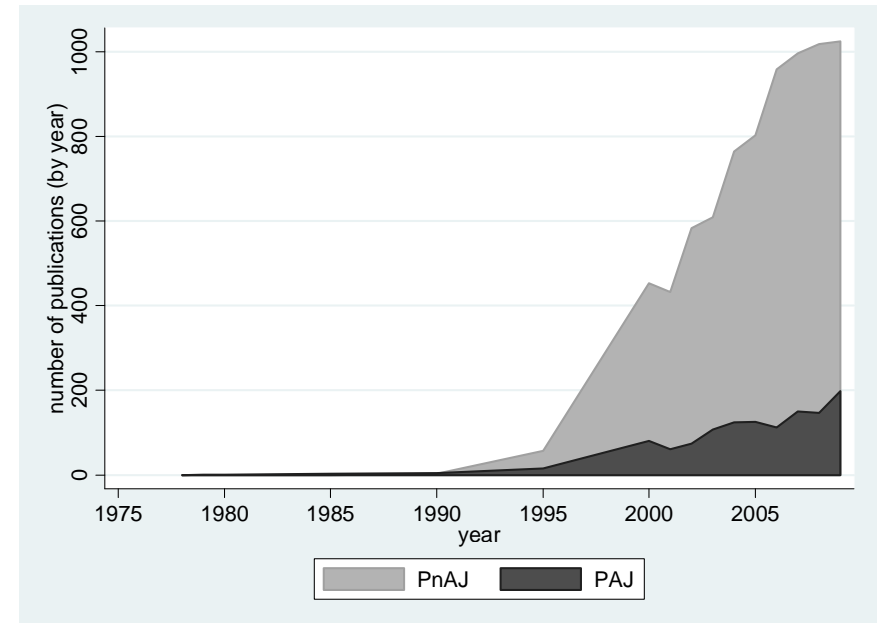
1. Emergence and Definition
2. BM and Strategy
3. Bm and Innovation
4. BM and (managerial) Cognition



Emergence and definitions

Business models emergence was driven by:

- ✓ Advent of Internet (e.g., Amit & Zott, 2001)
- ✓ Emerging markets and interest in the BOP (e.g., Prahalad & Hart, 2002; Seelos & Mair, 2007)
- ✓ Post-Industrial Technologies (Perkman & Spicer, 2010)



Novel forms of value creation mechanisms (networked) involving the firm and a network of exchange partners

Definition

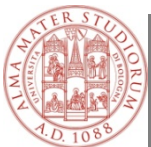
- ✓ The Business Model describes the rationale a how an organization creates, deliver and capture value (economic, social or other forms of value) (Zott, Amit & Massa, 2011)

It represents:

a system-level concept

centered on activities

focusing on value creation



Business Model and Strategy/Innovation

1. Business model may be source of Competitive Advantage and Disruptive Innovation.
2. Value Capture is not necessarily part of BM analysis.
3. Business model **is not**:
 - product-market strategy (i.e., it does not refer to firm positioning in product markets based on differentiation or cost leadership in certain activities)
 - corporate strategy (i.e., it does not describe or prescribe the areas of business in which a firm becomes active).



Business Model and Innovation

BM as a vehicle **for** innovation

Resource inputs → BM → market outcomes

BM as a source **of** innovation

A new dimension of innovation
(e.g., Rolls Royce – Interface)



BUSINESS Model vs. Business MODEL

Business Model as an **attribute of the firm**:
reality that exists at the level of the firm (and its network of exchange partners)
e.g. an architecture

Business Model as a **model** (a simplified representation/description of an object/phenomenon)
e.g. a representation, a description



As a concept the Business Model exists at different levels of reality (as a function of a given ontological status)

Business MODEL (managerial cognition)

Managers are equipped with a rich body of knowledge concerning the BM of their enterprise and even the general techno-economic architecture (or “recipe”) of their industry. This form of knowledge is often implicit (heuristics, mental models, maps)

The BM takes the form of a *cognitive map* (key assumptions and key causal relationships) assumed to underpin ‘the logic’ a firm uses to create value in its environment.

Main role is to simplify the cognitive effort (instructing action, providing guidance on decision making, etc.)

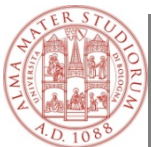


Business MODEL (cognitive traps)

Implicit mental maps may act as filter on information, preventing managers from seeing opportunities (removing certain possibilities from serious consideration) when they fall outside of the prevailing logic (constraining Strategic Options)

How can managers overcome these barriers?

A first step is to construct maps of business models (description – representations), in order to clarify the process underlying them; the maps then become a source of experiments to consider alternative combinations of the processes.

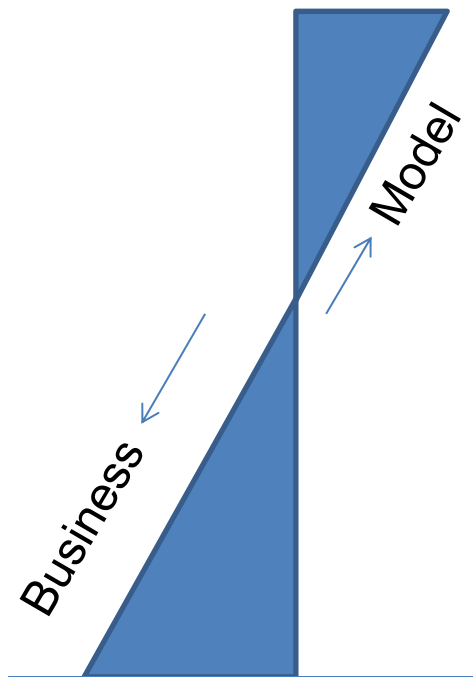


Business MODEL (overcoming cognitive barriers)

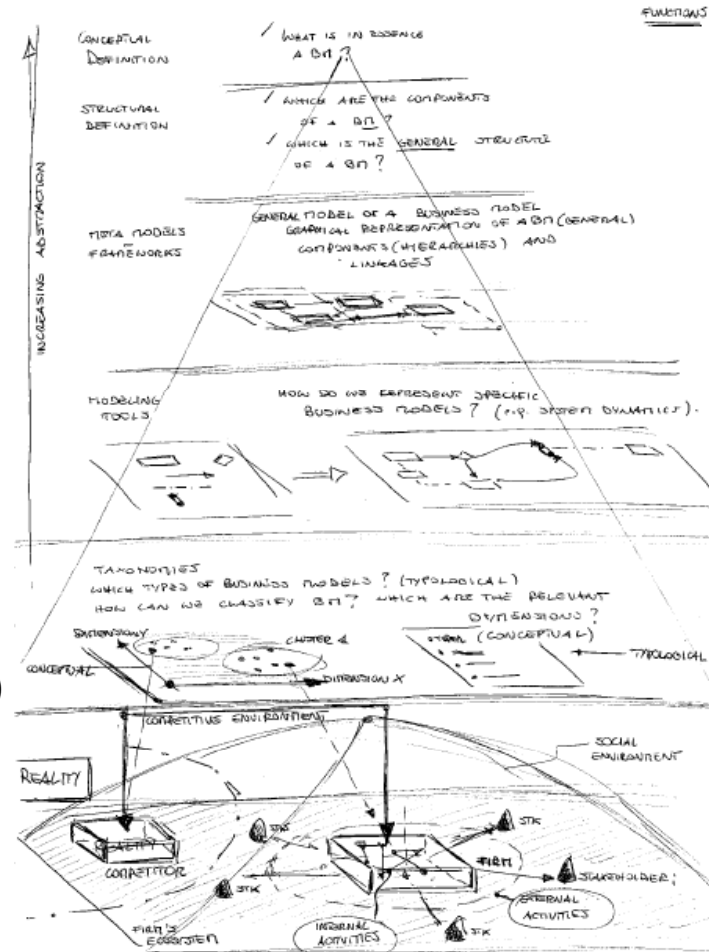
- 1) construct maps of business models (description – representations), in order to clarify the process underlying them; the maps then become a source of experiments to consider alternative combinations of the processes.
- 2) Understand BM as Scale Models and Role Models
- 3) Examples to be imitated, compared



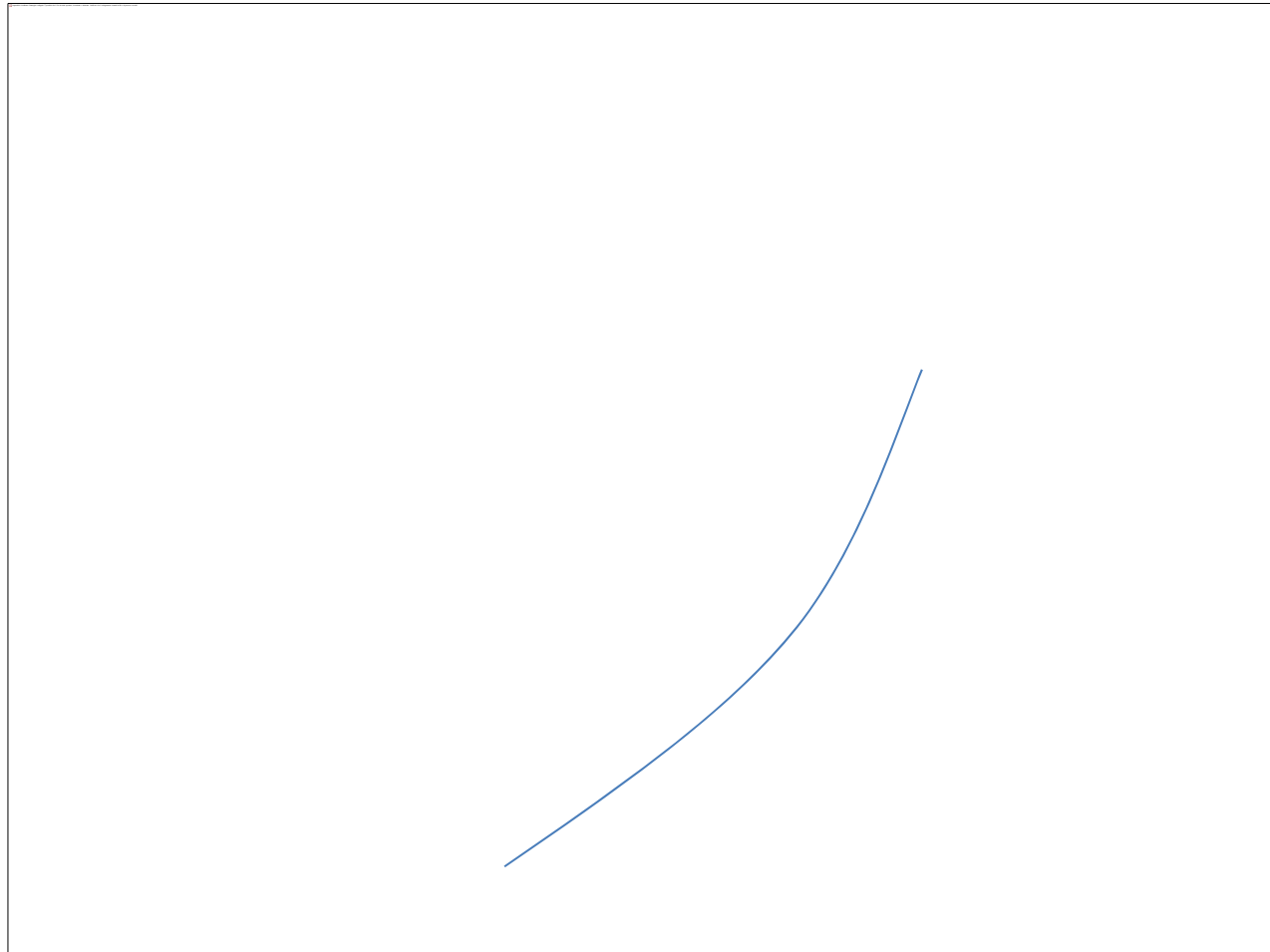
BUSINESS Model vs. Business MODEL



- Narratives →
- Meta Models →
- Activity System →
- Achetypes (scale and role models) →
- The firm and its network →



Business Model thinking at work (BM Canvas)



BM cognition (Functions – Roles)

- 1) General: Raise awareness on the possibility of cognitive filters
- 2) Role Models: allow a venture to associate with a particular type of identity (legitimizing device). Allow imitation.
- 3) Scale Models: Support sense making – enable manipulations and experimentations (what – if)
- 4) Scale Models (2): present to actors whose engagement need to be secured (a demonstration – sociogram of the venture)



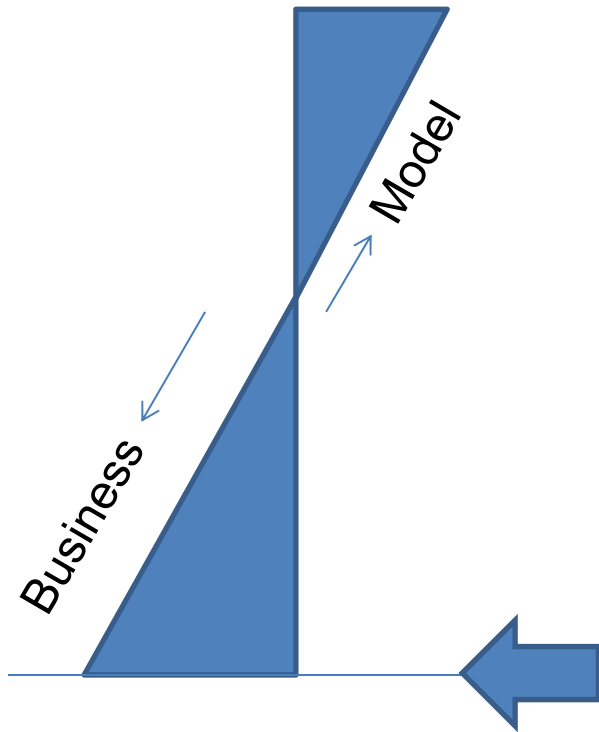
Thank You

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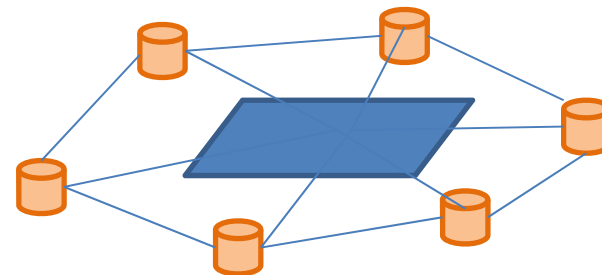
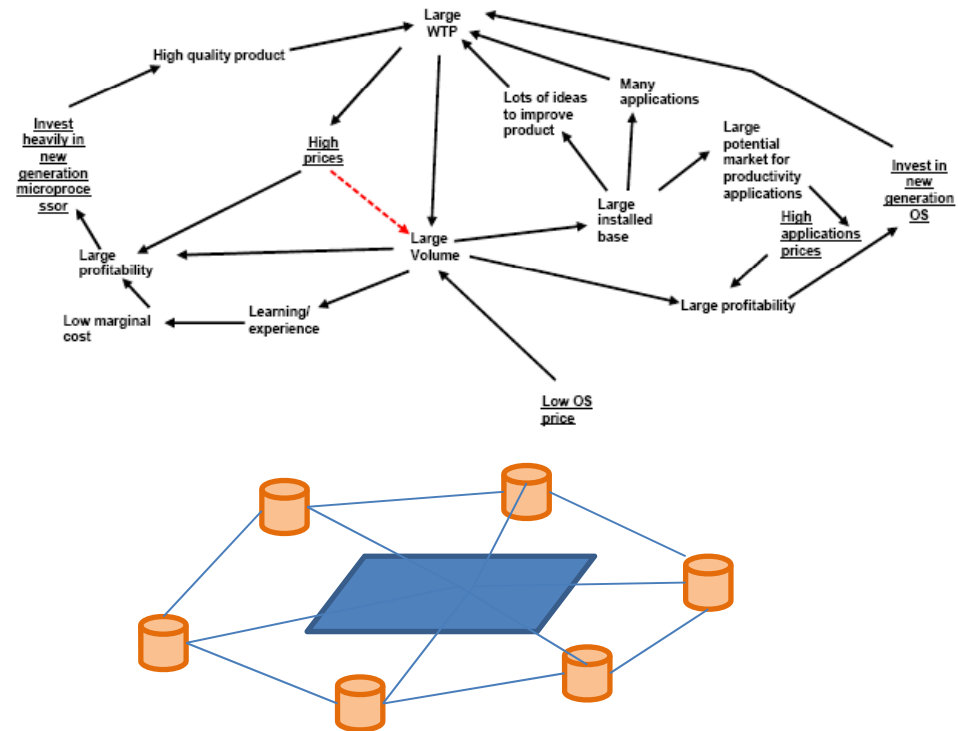
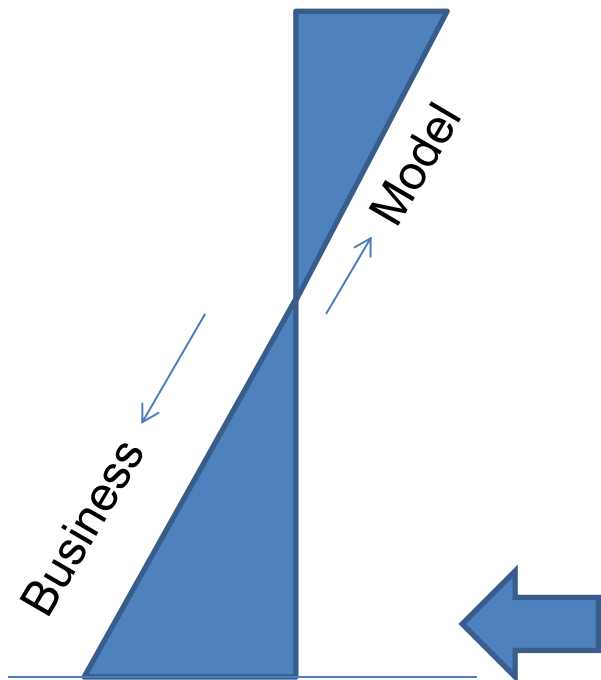
BUSINESS Model vs. Business MODEL

Level of the firm (and its network of exchange partners)



BUSINESS Model vs. Business MODEL

Activity System Perspective (activities, roles, governance structure)

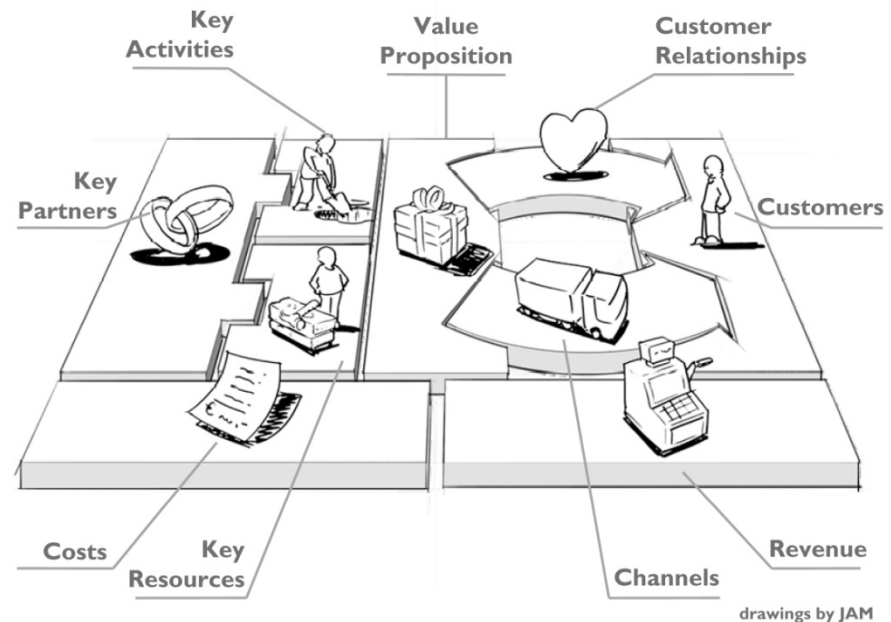
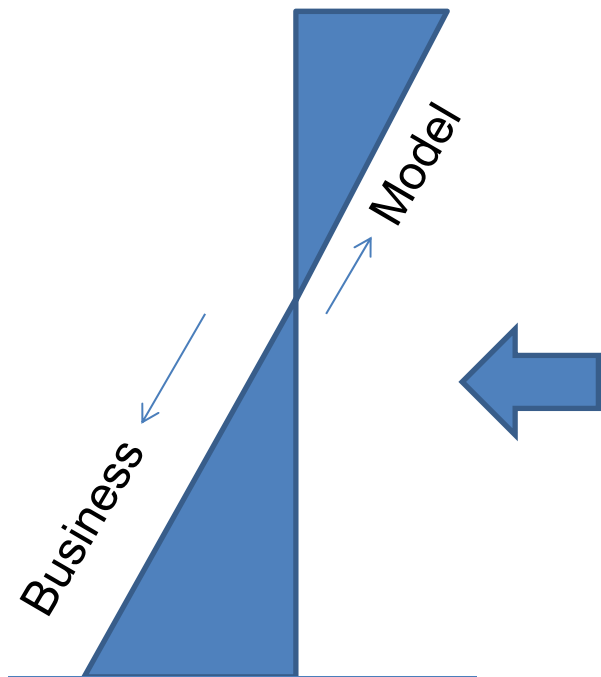


Firm and its network



BUSINESS Model vs. Business MODEL

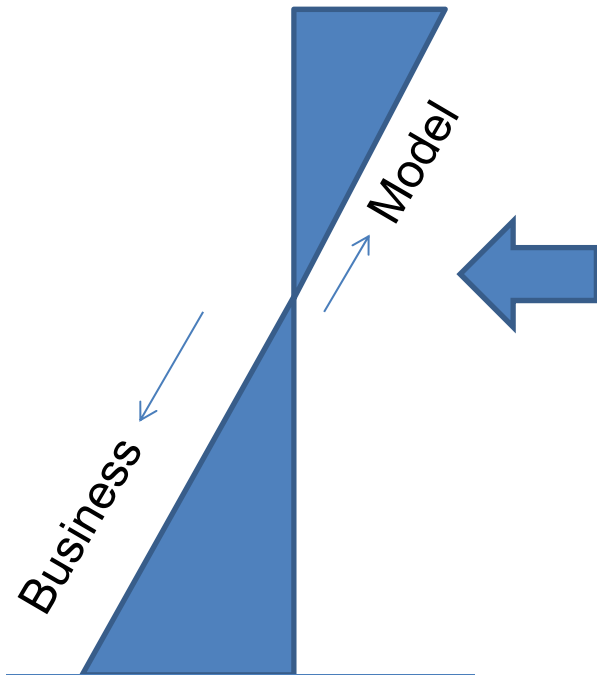
Meta-Models of the generic Business Model (e.g. Business Model Canvas): synthetic representations of the BM obtained by enumerating its principal components



BUSINESS Model vs. Business MODEL

Business Model Archetypes (BM description)

- 1) Role models – ideal types to be admired and imitated
- 2) Classification - capturing firm's behaviour



The “Razor and Blades” BM



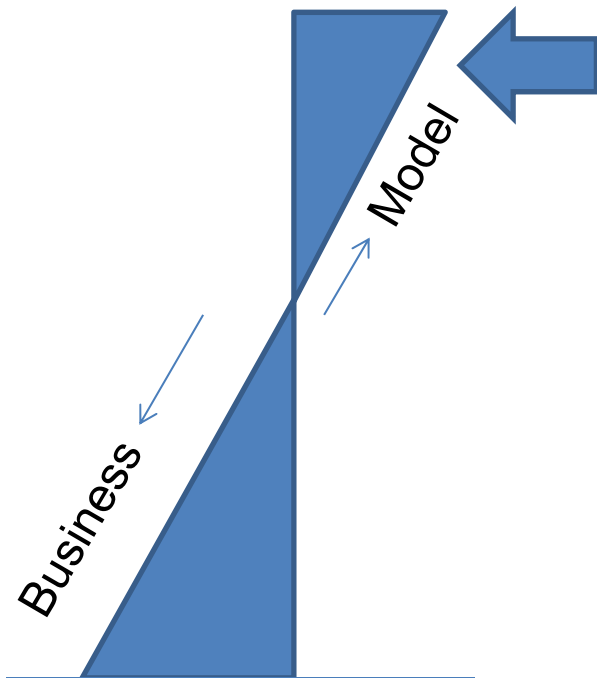
The “Freemium” BM



BUSINESS Model vs. Business MODEL

Business Model Narratives

“stories of how an enterprise work” (Magretta, 2002)



One sentence description: a pitch