

## Chapter 6

# A Dynamic Vision of Value Chains: From Value Chains to Business Models (BM)

### ABSTRACT

*The Business Model (BM) notion has become popular because of a business environment shaped by ICT and globalization and characterized by an increasing complexity and uncertainty. Innovative ICT industry coupled with ever-growing products, services, and applications have placed business models at the heart of the new digital revolution. In this chapter, the authors examine how the concept has been applied in the field of ICT and is used in contemporary debate. These new BMs are based on new forms of organization and/or on new products and services offerings. The BM concept has attracted attention both from practitioners and academics. The concept has received wide recognition; yet in practice, it is a new and evolving concept. It has inspired numerous researchers and academics and has given rise to different interpretations, one around which there is not always a perfect consensus. However, despite its wide use, the notion of the business model has become more complex.*

### INTRODUCTION

The business model (BM) concept has become popular because of a business environment shaped by ICT and globalization and characterized by an increasing complexity and uncertainty. Innovative ICT industry coupled with ever-growing products, services and applications have placed business models at the heart of the new digital revolution. In this chapter, we'll examine how the concept has been applied in the field of ICT, and is used in

contemporary debate. These new business models are based on new forms of organization and/or on new products and services offerings. There are two 'basic' business models. Companies either compete on price, or they compete on non price components such as quality or innovation. This vision is closely linked with competitive advantages relying on cost (and potentially on price) or on differentiation.

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has received wide recognition, yet in practice, it is a new and evolving concept. It has inspired numerous researchers and academics and has given rise to different interpretations, one around which there is not always a perfect consensus. Despite its wide use, the notion of business model has become more complex.

Yip (2004) claims that strategy practice can gain light by understanding business models. Business model bridges the gap between strategy and the practical process level, thus enabling transformation of strategies into implemented profitable business (Osterwalder & Pigneur, 2002).

At a general level, a business model describes how to operate a company. Simplicity and practicality are often mentioned to describe BM. A BM represents the strategic positioning of the firm in a market (Yip, 2004) and defines how a firm creates and captures value for its stakeholders (Chesbrough, 2007; Casadesus-Masanell & Ricart, 2009 and 2010).

This chapter is organized as follows. In section 1, we define and discuss the notion of business model and we review the literature on the business model concept. In section 2, we study BM configurations and applications. In section 3, we analyze the links between business models and strategy and innovation before concluding.

## **BUSINESS MODELS AS CONCEPT**

The popularity of the term ‘business model’ is a relatively young phenomenon. Though it appeared for the first time in an academic article written by Bellman et al., in 1957 and in the title and abstract of a paper published by Jones in 1960. Since, there are a lot of publications about this topic which is discussed in various different domains, such as strategic management, digital marketing, e-business, supply chain management and information systems.

## **Business Models vs. Business Plans**

The term of business model is often confused with business plan. These concepts often are used interchangeably. There has been a growing debate about business plan *versus* business model. These two notions are quite different. A business plan is a planning tool that gives a clear picture of the challenges and opportunities involved in business activities of a company. The primary reason to prepare a business plan is to create a tool to deal with investors and financing sources. A firm can identify the risks at the start of a project, according to its business plan outline template.

An adequate business plan may be used as a management tool. A well thought out and carefully structured business plan is the key to the long-term success of any business. In order to target increasing needs and improve its efficiency, a company has to work often on a new definition of its long-term business plan and its associated funding strategy.

The business plan describes what a company does and describes the different strategies to adopt (R&D, sales, marketing etc.) in order to face competition on markets. This written document provides the details of a business and states a company’s operational (staff, equipment) and financial goals (turnover, operating income) and how it proposes to meet them to achieve the financial stability. The business plan takes generally the form of a document drawing up five-year business data and information (see strategic planning in chapter 3).

The business plan supports the business model and explains the different steps needed to achieve the goals of that model. The business model chosen is detailed in a business plan. The revenue issue that is raised by the business model is of a different nature. As explained by Teece (2010), “in essence, a business model embodies nothing less than the organizational and financial ‘architecture’ of a business. It is not a spread sheet or computer model, although a business model might

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