22th EGOS Colloquium in Bergen, NORWAY, July 2006

STRATEGY AND BUSINESS MODELS:
BETWEEN CONFUSION AND COMPLEMENTARITIES

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INTRODUCTION

‘Business academics and consultants have been writing about strategy for over 40 years. Yet there is still great confusion as to what strategy is. The internet Boom and bust introduced a new term, “Business Model”, that may go a long way to clearing up the confusion’ Geroge S. Yip (2004).

The introduction of Business Model (BM) in the field of strategy and its large adoption in managerial practices, have made it difficult to share a unique perception and understanding of this concept (Mansfield & Fourie, 2004). Therefore, despite its common use by academics and managers, BM remains seldom studied (Weill et al, 2004) and still relatively poorly understood (Linder and Cantrell, 2000). Our paper aims not only to show the broad diversity of understanding and usage of BM, but also to discuss the nature of its relationship with strategy (Seddon et al, 2004) in order to clear up the confusion between them.

This confusion concerns the definition of both concepts and their respective usage (Yip, 2004). Indeed Magretta (2002) notes that those concepts are used interchangeably today.

Academics, who had tried to distinguish between both terms, have based their comparison on the notion of competitive advantage as defined by Porter (1985). According to Mintzberg et al., (1998), there is no single, universally accepted definition of strategy. So, if one interpretation of strategy is being concerned with the achievement of a sustainable advantage and a desired future, the BM is wholly concerned with consumer centricity (Mansfield & Fourie, 2004). Furthermore, the BM concept is more connected to financial success (Thompson & Strickland, 2001). At the same time, Porter (1996, 2001) confirms paradoxically that strategy needs more focus on revenue generation.
Besides the idea of competitive advantage as a condition for strategy’s success, the notion of value creation reinforces the confusion between BM and strategy. Ramirez and Wallin (2001) postulated that value creation beyond economic costs is the fundamental purpose of strategy and profit viability. Parallel to this assumption, the essence of the BM concept derives from management’s inexorable quest for the best customer value (Pigneur et al., 2005). Yet, Shafer et al., (2005) introduce the notion of value capturing within a value network defined by Hamel (2000) as principal pillars of BM concept.

Thus, the value notion constitutes simultaneously the core element of strategy creation and the firm’s central proposition around which are articulated different dimensions of BM. This makes the dissociation between the two terms a harder and more complicated task.

Furthermore, Osterwalder and Pigneur (2002) specify BM as a relay between strategy planning and strategy implementation. At the same time, Weill et al., (2004) confirm that BM underpins strategy and implies its implementation. Therefore, BM is seen as being as global as strategy despite the agreement of academics upon strategy’s supremacy regarding its perspective of competitive advantage.

These different assumptions point out examples of overlap between BM and strategy. Our present research, as an academic approach, tries to shed light on the relation between strategy and BM. This would be possible if we succeed in situating the two concepts on parallel levels that enable us to view the difference between them and so clear up the confusion that undermines their relation.

We do not aim to suggest a unique perception of strategy and BM. Nevertheless, our intent is to delimit their analytic dimensions and the field of their interaction. This attempt mobilises the main academic research into strategy and the BM concept. Instead of defining an axiomatic of strategy as proposed by Fréry (2004), we attempt to define the analytic dimensions of strategy and confront them with those of BM. The confrontation would lead us to suggest a more fair comparison, not between the BM and the strategy as a discipline but between BM and similar business concepts which belong to the field of strategy.
Our objective is to exploit these comparisons in order to go beyond this problematic confusion and propose a different conceptualisation of the BM as an integrative concept that underpins the implementation of strategy.

1. THE ANALYTIC DIMENSIONS OF STRATEGY

Theorists have not yet been able to establish a common definition of strategy (Fréry, 2004). According to Mintzberg et al., (1998), there is no one universally accepted definition for strategy.

Furthermore, Nortin and Irving (1999) stated that many different definitions of strategy already exist and went on to suggest that the more there are, the more they tend to confuse rather than clarify. The large number of definition does not bring clarity to the discipline; on the contrary, it tends to create more confusion in the field (Norton and Irving, 1999). This makes the delimitation of the strategic field and of its boundaries a more complicated task, a fact that has incited researchers to question the very pertinence of the discipline (Whittington, 1993).

The delimitation becomes harder when we consider the divergent dimensions of strategy in the literature. Indeed, in a brief review of definitions of strategy, Fréry (2004) notes a considerable convergence concerning the following terms: ‘purpose’, ‘perspective’, ‘competition’, ‘resources’, and ‘choice’. These definitions shed light on the presence of divergent paradigms reflecting different researchers’ positions that vary from partisans of deliberate choice, specialists of process or content analysis, to experts of positioning…, all these being « schools » of strategy (Mintzberg and Lampel, 1999).

Finding an exhaustive or universal definition that unifies these different approaches to strategy will be possible if we are able to identify invariants on which to construct an integrative conceptualisation of strategy, even if establishing a common definition of strategy is likely to be an illusive attempt (Price and Newson, 2003).

Surprisingly, the same authors propose to retain the definition of Johnson and Scholes (2002) in order to have a reference on strategy on which to base the continuity of their
reflection. That is to say that we have an urgent and explicit need to have a common and stable definition of strategy. Thus Johnson and Scholes (2002) define strategy as the direction and scope of an organization over the long term which achieves advantage for the firm through its resources configuration within a changing environment in order to meet the needs of markets and to fulfil stakeholder expectation.

The singularity of this conception is the fact that it underlines aspects retained in the majority of definitions of strategy. Thus we find the term ‘long term’ (referring to perspective in strategy), ‘advantage’ (referring to competition), ‘resources’, ‘configuration’ (associated with ‘strategic choice’), and finally the ‘purpose’ of strategy. Moreover, Fréry (2004) proposes three invariants articulated around the same principals, these being the scope of the activity, the value creation and imitation. In Fréry’s proposition, the notion of scope of activities addresses the notion of ‘advantage’ and ‘choice’ as conditions for firm positioning and resource allocation. The notion of value forms the central objective of strategy which is the creation of value for clients and stakeholders. Imitation, being the last invariant in Fréry’s definition of strategy, concerns the points referring to the notions of ‘competitive advantage’, ‘resources’ and ‘strategic horizons’. Indeed, imitation is presented as a source of potential innovation using distinctive resources and skills. It combines practices that are able to sustain competitive advantage and create value for the firm. From this point of view, imitation drives the evolution of strategy and illustrates its dynamics. Imitation is thus presented as being the dynamic principle at the base of the definition of strategy.

This view of strategy closely matches the ‘Porterien’ definition of strategy (2001) on the notion of value creation. Indeed, beyond the focus of strategy on the achievement of a sustainable competitive advantage that differentiates the firm from its rivals, it is strongly associated with the creation of a unique and valuable position (Porter 1996). This is made possible through the definition of a unique value proposition (Porter, 2001).

Moreover, most definitions of strategy note the importance of the notion of choice as a more widespread notion. This means that making choices is the shared element of the strategy definition (Shafer et al., 2005). Furthermore, according to Mintzberg (1994) strategy can be viewed in at least four different ways: as a pattern, plan, position, or a perspective.
Along the same line of reasoning, Magretta (2002) defines strategy on a basis of a set of choices that concerns the customers as a target, the product to offer and the manner of proposing it. What is more, strategy implies making wise choices concerning these elements. At the same time, a good choice implies making compromises.

For certain authors, the notion of choice is one of the dimensions of strategy. For others, like Fréry (2004), it is considered to be an invariant of strategy conceptualisation. Therefore, the delimitation of the analytical dimensions of strategy becomes a crucial step towards the understanding of the strategic paradigm.

In a similar way, De Wit and Meyer (1998) introduce the concept of three dimensions of strategy that can be recognized in every real-life strategic problem situation:

- The strategy process defined as ‘the manner in which strategies come about’ is concerned with the ‘how’, ‘who’, and ‘when’ of strategy.
- Strategy content is described as the product of the strategy process and is the ‘what’ of strategy.
- Strategy context is concerned with the ‘where’ of strategy and refers to the organizational and environmental circumstances under which the strategy process and strategy content are determined.

Parallel to this conception, Fréry’s proposition (2004) specifies on the one hand the scope of the firm’s activity as concerning not only the strategy content (the ‘what’ of strategy) but also the strategy context (the ‘where’ of strategy). On the other hand, the notion of imitation is at the heart of the strategic process (the ‘how’ of strategy). As a potential source of innovation, imitation underpins the evolution of strategy. What is more, the dimension dealing with value creation is absent from De Wit and Meyer’s conception (1998). It results logically but implicitly from the interaction of their three analytical dimensions of strategy.

Throughout this analogy, we note that the confusion has gone well beyond strategy and has strongly influenced its dimensions (Table. 1). Thus, the field of strategy is far from being stabilized around static invariants. Because of their respective logic, De Wit and
Meyer and Fréry’s propositions both have earned legitimacy in the field of strategy. Although the first proposition is considered as being more exhaustive, the second is more concerned with the teleological dimension of strategy, namely the dimension of value.

<table>
<thead>
<tr>
<th>Choice</th>
<th>Activity area</th>
<th>Value</th>
<th>Imitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mintzberg (1994)</td>
<td>Pattern, Plan, Position, Perspective</td>
<td>Choosing the positioning that permits differentiation</td>
<td>Sustainable competitive advantage</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Choosing the plan of action and resource allocation.</td>
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<tr>
<td>Porter (1996 ; 2001)</td>
<td>Strategy as position</td>
<td>Principal objective of strategy and condition of the firm’s survival</td>
<td>Imitation as source of innovation</td>
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<td>Perspective choice via imitation</td>
<td>Delimitation of the boundaries of the firm’s activity</td>
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Table 1: Intersection between different conceptions of the analytical dimensions of strategy

Price and Newson (2003) propose to focus on one dimension of strategy that is the strategic process which can be divided into three elements: strategic analysis, strategy formation, and strategy implementation.

As concerns strategic analysis, it involves the strategist working towards an understanding of the organization’s current strategic position. Strategy formation involves the determination and evaluation of strategic options and the choice of future courses of action. Furthermore, formulation must include consideration of the type of strategy to be adopted. Finally, according to Johonson and Scholes’s (1999) definition, strategy implementation is concerned with the translation of strategy into organizational action through organizational structure and design, resource planning and the management of strategic change.

The management of those elements implies making the right choice regarding strategy dimensions and making trade-offs (Porter, 2001). The trade-off entails establishing priority in following a well defined plan of action.

The question we must answer now is why we are interested in dividing up the strategy process. Surely, it is not in order to underline once more the confusion and complexity
that mark the field of strategy, but rather to raise an important point which is strategy implementation. Indeed, the notion of implementation in strategy traduces the enactment of strategy from the register of theory and rules to the register of action and sense-making. This means putting into practice strategy as a theory of organization or more to the point, transforming into action a set of strategic choices which allows the transition of strategy from the complicated language of theorists and researchers to the more simplified language of managers and experts. It is in fact a kind of strategy ‘vulgarization’.
Furthermore, strategy implementation takes place through a well defined structure and a clear organizational design. From then on, it becomes fundamental to know and then identify what this structure represents. According to Shafer et al., (2005), the BM reflects a set of strategic choices and their operational implications. It thus constitutes - on the basis of these choices - a well defined design of the firm’s activity. In this way, the BM is the organizational design or structure that underpins the strategy implementation.
However, before looking into the veracity of these assertions on strategy implementation, it is more appropriate to begin by defining and delimitating the BM concept. One can say that the BM as a conceptual construct or artefact may cover other dimensions of strategy, extending to the strategy context and strategy content, and can also borrow some invariants from Fréry’s conception of strategy such as imitation and value creation concept.
The second part of our research presents the advent of the BM concept in its historic context and its adoption in the managerial language. To be more accurate, we will consider a large range of academic research on this topic and attempt to delimit its specific and analytical dimensions.

2. THEORIC DELIMITATION OF BUSINESS MODEL CONCEPT

2.1 THEORIC BACKGROUND AND HISTORIC OF THE BM CONCEPT
The popularity of the term « Business Model » is a relatively new phenomenon having become a widely used concept in the 1990s. According to Mansfield and Fourie (2004), the concept of BM is poorly and rarely defined in managerial literature. In spite of this,
the BM concept has been largely used by researchers and managers (Eisenmann, 2002). Furthermore, the literature seems to be undecided regarding the use of BM term (Timmers, 2000). This can be explained by the fact that the BM has been primarily and basically associated with the Internet, new technology applications and, in general, with virtual markets. The confusion seems to be twofold, as it concerns both the definition and the use of the BM concept.

Yet, despite the absence of a general definition of BM, the use of this concept has been adopted in many other fields (George Yip, 2004). Before approaching these different definitions of the BM, it is necessary to return briefly to the origin of the concept in order to understand the dynamics of its evolution.

According to Yip (2004), the BM has gained more importance since the dot.com boom. This interest accompanies a focus on value creation. Indeed, the advent of the Internet has brought firms’ customers into contact with a bewildering variety of products and services. In the new economy, products are conceived and then distributed through a virtual portal at a significantly low cost, reducing margin considerably (Tapscott et al., 2000). To contend with those variations, companies redirect their offer towards a principle of revenue generation and articulate their activities around a principle of value creation as the central purpose of the firm’s strategy (Mansfield and Fourie, 2004). The BM appears here as a new means of competition and value creation.

As the use of the BM concept extends to the field of strategy, we are still finding many new definitions for this term. This seems evident, with each researcher conceiving his or her own definition of the concept corresponding to his or her own comprehension of the term. According to Shafer et al., (2005), we are desperately in need of a definition for the BM concept and are confronted with an ‘identity crisis’ of the BM. Indeed, Shafer et al., (2005) enumerate a dozen BM definitions published in research articles between 1998 and 2002. However, none of these definitions appears to have been fully accepted by the business community, and this may be due to their emanation from so many different perspectives (i.e., e-business, strategy, technology, and information system), with the viewpoint of each author driving term definition; by peering through different lenses, authors are seeing different things. Nevertheless, even if those definitions are seemingly
different, they converge in majority in considering the BM as a design of the firm activity aiming to revenue generation (Peter Weill et al., 2004). Thus, the definition of the BM consists of two elements: what the business does, and how the business makes money doing these things.

According to Mansfield and Fourie (2004), the most accepted descriptions of BM are those proposed by Timmers (1998, 2000), Amit and Zott (2001), Afuah and Tucci (2001) and Magretta (2002). We retain here Timmers (1998, 2000) and Magretta’s (2002) views, given the fact that they are among all definitions, those that show best the evolution of the BM concept.

Indeed, Timmers’s definition (1998, 2000) deserves special interest because it does not constrain the use and application of the BM concept to the field of virtual market and e-business like the definition of Amit and Zott (2001) and that of Afuah and Tucci (2001). Thus, Timmers (2000) defines the BM as including architecture for the product, service and information flow, a description of benefits for the business actors involved, and a description of the sources of revenue. For Magretta (2002), the concept of BM has more general implications, the BM is then seen as a variation of the generic value chain underlying all businesses and comprising the business activities associated with making something and business activities associated with selling something. (Its definition concerns all the activities associated on the one hand with the offer of the firm, and on the other hand with all activities in relation with value proposition).

In a more recent context, attempts to establish a more exhaustive definition of BM still persist. We present two of them here. Firstly we retain the Morris et al., (2004) definition which considers the BM as a concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture and economics are addressed to create sustainable competitive advantage.

Secondly, we present the Osterwalder et al., (2005) conception which sees the BM, as a conceptual object or tool, consisting basically of a set of elements and their relationships, and expressing the business logic of firms. Furthermore, -regarding it as a simplified representation of the value proposition to customers- Osterwalder and Pigneur (2002) believe that the BM forms the link missing between strategy and business process. It forms the linkage between the planning and implementation level of a business.
Finally, delimitating the set of dimensions constituting the BM is a crucial step toward a ‘perfect’ understanding of the concept of BM. The following part addresses these dimensions in order to make this clear.

2.2 THE SPECIFICITY OF THE BUSINESS MODEL CONCEPT

In major definitions inventoried by Shafer et al., (2005), they identify 42 components of the BM. Before studying these elements, it is important to consider the composition of the term BM.

The latter is composed of two words: ‘Business’ which refers to the activity of offering products and services, implying financial, industrial and commercial aspects (Osterwalder, 2005), and the term ‘Model’ which is a simplified description of a complicated process needing an effort of conceptualisation (Osterwalder, 2005). According to Mansfield and Fourie (2004), it is an abstract representation of the reality defining a set of entities and delimiting their relation. When juxtaposing the two terms, the BM describes as a whole the link between the company’s resources, its function and its environment (Mansfield and Fourie, 2004).

Hamel (2000), Mitchell and Coles (2003; 2004) and Yip (2004) are among the authors who are interested in the description of the dimensions of the BM. In this way, Mitchell and Coles (2003) defines the BM as a simply way of organizing a company to permit it to serve its customers in an effective way. Seven key elements compose the BM:

- The ‘Who’ defines all the stakeholders the firm is serving or affecting
- The ‘What’ describes the offerings and their benefits or negative influences that affect each stakeholders.
- The ‘When’ captures the timing of ‘offering’ effects on stakeholders.
- The ‘Where’ identifies the location for delivering benefits and other impacts.
- The ‘Why’ gives the rationale for providing your offerings and being compensated for them.
- The ‘How’ explains your method of providing your offerings and being compensated for them.
- The ‘How much’ states the price customers pay and costs they incur.
Hamel (2000) presents the BM through the interaction of four axes: the strategic axis referring to a set of strategic choices, the axis of resources and competencies, the clients interface and finally the value network that show the connected relations between all the stakeholders.

According to Yip (2004) and as presented in the following Exhibit, the BM can be broadly defined as comprising these elements: value proposition, nature of inputs, how to transform inputs (including technology), nature of outputs, scope of the activity, the nature of customers and how to organize the offering. Yip’s definition integrates a new element, namely the input, retained together with Betz’s conception. The latter proposes to construct a generic BM through the combination of four inputs and outputs which are resources, sales, profit and capital. Thus, the different combinations of these variables create different types of BM.

![Exhibit 1: Elements of a Business Model (Yip 2004)](image)

What is more, Pigneur et al., (2005) try to create a shared, formal, and explicit conceptualization of the BM through the introduction of the term ‘Business Models Ontologies’. Indeed, in the literature, the notion of ‘Business Model’ is interpreted in two ways: first as a taxonomy (with categories such as e-shops, malls, auctions) and second as
a conceptual model of the way we do business. In this way, the conceptualization of BM through the notion of ontology describes a meta-model or a reference model for a specific industry, allowing the description of an infinite number of business models. It suffices at this level of reasoning, to say that a BM consists of a set of elements and their relationships and expresses the business logic of the firm. Finally, the ontology as a shared conceptualization depicts a model of reality, here of the business logic, and the term ‘shared’ refers to the idea that stakeholders should interpret a BM in the same way; as a sort of ontological commitment reached principally by basing the ontology on accepted terminology in the field. The BM is so presented as an abstraction of reality detached from its irrelevant details.

According to the conceptualization of Pigneur et al., (2005), the value proposition represents the offer of the firm. Its targeted customer segments embrace the groups of people and organizations it wants to address. The customer segments are reached through distribution channels. The value configuration describes the activities necessary to provide the company’s value proposition, whereas the resources and core capabilities outline what the company has at its disposal to provide its offer. What is more, the partnership agreements explain who assists the company in doing this and what they supply. Finally, the revenue stream describes where the money comes from, while the cost accounts estimate the expenses.
Through all these different definitions, we note that the notion of value or the value proposition of the firm is at the heart of the BM concept. Shafer et al., (2005) continue in the same effort to delimitate the BM components. To gain additional insight, they have developed an affinity diagram (Pyzdek, 2003) as a tool to categorize the BM components that were cited twice or more. Through twelve definitions and the 42 different BM components revealed, they identify using the resulting affinity diagram four major categories: strategic choices, creating value, capturing value, and the value network. The resulting categorization confirms the statement developed above regarding the centricty of the notion of value around which are articulated the other dimensions of the BM. The contribution of Shafer et al., (2005) consists of integrating the notion of strategic choice into the definition of the BM concept. This dimension is associated with the definition of the BM as an implementation of strategy and consequently of a set of strategic choices (Peter Weil et al., 2004).

Therefore, on the basis of these categories, Shafer et al., (2005) propose one conception of the BM, which they see as being simple, synthetic and exhaustive. Indeed, they 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.

The concept of BM reaches more consistency through Shafer’s definition, especially when articulating the dimensions of BM around fundamental notions composing it: the strategic axis underlying the dominant or the core logic of the firm as a mode of development of the firm, the notion of value, and the strategic choices.

This section allows us to shed light, - in continuity with its theoretic delimitation and the analysis of its dimensions-, on the very specificity of the BM concept, which leads us to regard it at the edge of a unique value proposition of the firm.

We try in the next section of our research to cross between the analytical dimensions of strategy with those of BM developed in the second part of our paper. This confrontation allows us to situate on parallel level strategy and BM in order to clear up the confusion between them. Furthermore, the comparison leads us to propose a different perception of the relation between BM and strategy through a correction or a new understanding of the very basis of this confrontation.
3. THE NATURE OF THE RELATION BETWEEN STRATEGY AND BUSINESS MODEL

For a better comprehension of the BM concept, Demil et al., (2004) propose to approach it as a new concept missing from the field of strategy. Their question contains an explicit and clear confirmation concerning BM as belonging to strategy. They thus cut short the debate questioning the nature of the relation between BM and strategy. Nevertheless, many researchers like Shafer et al., (2005) have continued to examine this relation in their recent articles.

In continuity with this reasoning, a thorough review of literature, examining leading authors’ definitions of both terms has permitted Seddon et al., (2004) to show the possible cases of overlap between strategy and BM. They note through the different cases, the marked similarity between them, even if there are some nuances of difference. Indeed, the case of total overlap concluding that BM and strategy are just two sides of the same coin is completely rejected. Were this perspective correct, the term BM would not add value to the field of research.

Therefore, Seddon et al., (2004) believe that even if the BM and strategy are quite similar in meaning or used as if their meaning were common, they in fact remain somewhat different. Indeed, they note that strategy seems more concerned with competitive positioning, whereas BMs are more concerned with the ‘core logic’ (Linder and Cantrell, 2000). Basing their comparison on Porter’s definition of strategy in the heart of positioning theory, they propose a view of BM, consistent with the usage of many of the experts who have applied the term, which is different from strategy, and therefore does add value. In this view, BM is the abstraction of strategy (Exhibit 3), capturing aspects of individual-firm strategy that can be applied to many firms. In this case, BM are also more inward looking than strategy, focusing more on the activity-system side of how a firm creates economic value, whereas strategy is more outward looking, focusing more on competitive positioning.
The idea of abstraction in Seddon’s conception is interesting as it represents details which are irrelevant to the BM definition. In this way, the goal of BM as proposed by Seddon et al., (2004) is to abstract from the insignificant details. The reason for wanting to abstract from the details, is to draw attention to the factors of interest in the concept concerned. Thus, according to Seddon et al., (2004), the common feature of BM is that it tends not to take into consideration competitive positioning. As we can have different views of a firm’s strategy, the number of different abstractions that can be built based on one particular firm’s strategy is almost limitless. However, we do not agree with the idea of considering competitive positioning as an irrelevant detail for the BM. Indeed, as a specific combination of a set of dimensions in relation with a central value proposition, the BM can constitute the origin of a competitive advantage for the firm and so be potentially responsible of its competitive positioning. Furthermore, one limit to Seddon’s et al., (2004) conception and not the least is its belonging to the ‘Porterien’ conception of strategy. Therefore, even if we apply another conception of strategy as a base for comparison with the BM, do we still have the same nature of relation between the two terms? What is interesting in the notion of abstraction is the fact that strategy is presented as a whole and the BM as a part of it or more accurately a partial representation or photograph of it. This underlines the supremacy of strategy regarding BM and presents a more obvious view of their relation. At the same time, this point of view corrects the very basis of the comparison. Indeed, the fuzziness Seddon et al., (2004) and other researchers fall into is the fact that they compare two terms of a radically different nature. They are comparing strategy as a field or as a paradigm (Prahalad and Hamel, 1994) with the BM as a new managerial concept in the field. It is indeed incorrect to compare a paradigm with a concept.

Exhibit 3: BM as an abstraction of strategy
Thus, what we can suggest in the next section in order to make our comparison meaningful is to situate the BM on a parallel level with similar managerial concepts in strategy rather than with strategy itself. These include ‘Productive Project’ (Desreumaux and Bréchet, 1994), ‘Business or Business strategy’ (Derek Abell, 1980), ‘Offer System’ (Koeing, 1994), and ‘Value Chain’ (Porter, 1985). This attempt allows us to underline the differences and similarities that underpin their relation which ends finally by proposing the BM as an integrative concept in strategy constituting the main contribution of our present research.

3.1 THE PRODUCTIVE PROJECT

The notion of project is central in considering a firm’s business. At the same time, the firm is also considered as an economic unit of production that drives the actors towards the execution of the aforementioned project. Bréchet (1994) defines the project as an anticipation of the courses of action taken towards the desired future. It derives from a strategic intent and guides the actors of the system collectively. Therefore, the project traduces the execution of decisional processes emerging from a strategic intent, i.e. the passage from the cognitive universe of rules to the practice universe. What is more, the notion of productive project is closely connected to the notion of firm’s business or core business.

As it implies giving sense to the action, the project reunites the different actors of the firm around a well defined business or mission. Thus, the project includes the creation of a social network as a shared common space in the firm (Bréchet and Desreumaux, 2004). According to Bréchet and Desreumaux (2004), three principal dimensions compose the concept of productive project. These are the choice of the product-market pair, the choice of the vocation and mission of the firm which entails –as explained below- the constitution of an ‘offer system’, and the management style entailing the implementation processes.

Finally, the concept of productive project is presented as an established tool for the firm’s analysis and the orientation of action.

Given this definition, the notion of project seems to be a general concept that does not include any reference to the firm proposal or to the resource system. What can be
considered as important in the project concept are the notions of strategic intent and the
guidance that the productive project provides for the collective action. The BM however
includes more aspects of the business and is also interested in the nature of their
configuration.

3.2 THE BUSINESS CONCEPT VERSUS BM
According to Derek Abell (1980), there are two ways to conceptualize the definition of a
business:
- In terms of some key distinctive competence or skill, i.e. in terms of resource
capabilities.
- In terms of programs of activity – conventionally in terms of products offered and
markets served.
In order to adequately describe the conception of a business, Derek proposes to address it
through a three dimensional definition. Therefore, from the conventional view, a business
is defined in terms of its product or market scope and the extent to which market
segments are recognized by product differentiation. In parallel, in the three dimensional
point of view, the business might be defined by customer groups served (referring to the
categories of customers served: the ‘Who’), customer functions served (referring to
customers needs: the ‘What’), and technologies utilized instead of in terms of products
and markets (referring to the ways that the needs are being satisfied: the ‘How’). Using
customers groups, customer functions, and technologies as underlying dimensions,
instead of the two conventional dimensions of products and markets, new light is shed on
the nature of competition and on the evolution of markets.
The Business can thus be defined in terms of three measures:
1- Scope of activity
2- Differentiation of the company’s offerings, one from another, across segments.
3- Differentiation of the company’s offerings from those of competitors.
What is more, four factors are usually considered to influence the choice of overall
business strategy: what a company might do in terms of environmental opportunity; what
a company can do in terms of its abilities and resources; what the executives of the
company should do in terms of broader ethical and societal consideration. The weighing
and balancing of these factors is at the very heart of strategy formulation. Moreover, the success of a particular business definition is a function of certain other factors: customer buying behaviour; differences in marketing, manufacturing, R&D, requirements, and so on resulting from market segmentation; cost behaviour; and company resources or skills. The three dimensional view for defining a business is presented as follows:

![Three Dimensions for defining a Business](image)

In comparison with the BM concept, we note that the latter has larger aspirations than the three dimensional Business definition. Indeed, the dimensions of customers functions and customers groups belong to the customer interface in Pigneur’s et al., (2005) conception of BM, whereas the alternative technologies are an element of the strategic axis in Hamel’s conception (2001). The latter dimension can also belong to the infrastructure management, especially as a variable of the firm’s resources and skills.

### 3.3 THE OFFER SYSTEM

In response to the diversity of the firm’s activity, the firm has several offer systems at its disposal. Each offer system is considered as a system of resources which covers the resources of the firm and the resources of its partners in order to achieve a final project (Koeing, 1994). In this way, the offer system shapes a value network on the quality of which depends the success of the considered project.
Furthermore, the capacity to manage an offer system successfully constitutes the very vocation of the firm. If the aim of the company is to react to the instability of the environment, the firm has to manage and arrange continually the offer system as a general representation of its value proposition. That is to say, the firm’s vocation is a matter of management of the offer system.

If the offer system is seen as a set of resources, what is important in this view is not the fact of possessing resources but rather the capacity to mobilize, arrange and control them. What we have noted through the definition of the offer system as a system of resources is its similarity to the notion of value network. The difference between the two is not a matter of nature but rather an order of intensity referring to the degree of control imposed by the firm on its partners.

As presented above, the offer system is seen as being a part of the BM concept. Indeed, it entails only the resources and value network dimensions, which are both a part of the infrastructure management in Pigneur’s et al. (2005) conception of BM. Therefore, the BM is presented in the three last cases as a concept with more general aspects and implications.

3.4 THE VALUE CHAIN VERSUS BM

‘The evolving Business Model concept is derived from a quest for value creation driven by environmental developments and infrastructural opportunities’ (Mansfield and Fourie, 2004). These assertions match those of Amit and Zott (2001), for whom the conception of a BM is closely related to the aim of value creation in a context of e-business. Indeed, with the development of the new economy based on Internet and electronic data interchange, the notion of value has been oriented to virtual markets as a source of revenue and differentiation. Nevertheless, before the Internet and e-business boom the notion of value was defined and applied more closely at an organizational level. Therefore, according to Porter (1985), the value represents the price that the customers accept to pay in order to take possession of the firm’s proposal. Thus, a firm is then profitable when the value created surpasses the production costs. Thereafter, Porter (1985) tries to evaluate the firm’s activities according to the value that they are able to
produce. He conceives in this point of view, his ‘well known’ value chain, which has been widely used both by researchers and managers.

The value chain describes the different steps and operations that determine the firm’s capacity to achieve a competitive advantage through a valuable proposition for customers and stakeholders. The value chain identifies on the one hand a set of primary activities, which are directly involved in the firm’s offer and so in the value creation, and on the other hand, support activities that underpin the primary activities and reinforce margin generation.

However, the value chain was originally conceived to fit a ‘traditional’ organizational context and so it has not yet addressed the virtual markets where information is the object of the transaction. This fact has incited Rayport and Svioka (1995) to conceive a virtual value chain including the different and new aspects of the new economy. This matches the notion of BM as a conceptual tool designed to fit the context of the virtual market (Shapiro et Varian, 1999) where the value creation results from the combination of different dimensions.

Beyond the correspondence between the concept and the context, the contribution of the BM consists in its capacity to identify the sources of value in organization and to determine the different actors involved, their respective roles and the extent of their interaction (Mansfield and Fourie, 2004). What is more, the use of the BM concept extends to other fields such as information systems, management and strategy. Therefore, the BM is seen as a more exhaustive, effective and evolutive concept then Porter’s value chain. This has been countered by Porter’s (2001) position regarding the advent of the BM concept when he said that: ‘the definition of a business model is murky at best. Most often, it seems to refer to a loose conception of how a company does business and generates revenue. Yet simply having a business model is an exceedingly low bar to set for building a company. Generating revenue is a far cry from creating economic value…’ (p.73)

Porter (2001) has perceived the real threat that the BM concept represents for its value chain. Whereas the latter is considered as a basic view of the organization activity, the BM is more concerned with an internal vision of the configuration of the firm’s system of activities for the creation of economic value (Seddon et al., 2004). It has at the same time
an undisguised passion for customer-centricity as the source of value creation (Mansfield and Fourie, 2003).

Moreover, many other authors like Magretta (2002) believe in the superiority of the BM concept regarding Porter’s value chain. Indeed, Magretta (2002) sees the BM as a variation of the generic value chain underlying all businesses and concerning all organizational levels. Thus, the BM approximates a value chain, as it includes a description of the key business processes in the firm, the flow of products, services and information associated with these processes. Moreover, it also describes the participants in the business venture and so in the revenue generation, including the roles and relationships as well as transactions completed between the players.

These comparisons have shown the BM’s supremacy regarding similar managerial concepts which address at best one or two dimensions of the BM. The latter seems thus to be a more complete concept when considering the major dimensions of the business - that is to say, the value proposition, the client interface, the infrastructure management in reference to resources and capability and to the partnership agreement referring to the value network, and finally the financial aspects which entail the transformation of value into profit. As defined above, the BM is likely to possess an integrative function when it combines different aspects of a business, from the value proposition to profit generation. Therefore, as the main contribution of our paper, we propose to consider the BM as an integrative managerial concept which very legitimately deserves to be part of strategy as a discipline. This answers our primary question through which we have tried to understand the nature of the relation between strategy and BM. Beyond this, our attempt corrects the very underpinnings of our comparison when it situates the BM on a parallel level with similar strategic concepts as a part of the strategy discipline rather than with strategy itself.

The BM concept is therefore described as an all-inclusive description of the firm, comprising three major dimensions: the value proposition in reference to the specificity of the firm’s offer to its customers, the value design entailing the value network as an external value chain, the firm’s activities as an internal value chain and the portfolio of
resources and capabilities. Finally, the profit dimension explains how the firm transforms the captured value into profit (Ortega and Moingeon, 2005). Contrary to Ortega and Moingeon’s (2005) view of the BM as an integrative concept, we propose to put the dimension of the value proposition at the heart of the BM concept. Indeed the notion of value is the main principle on which the BM is founded.

Exhibit 5: A new vision of the BM as an integrative concept of strategy
4. CONCLUSION

‘Today, ‘Business Model’ and “Strategy” are among the most sloppily used terms in business; they are often stretched to mean everything - and end up meaning nothing’ (Magretta, 2002).

Therefore, we have tried through our present research to put an end to this confusion by placing each term in its appropriate setting.

This attempt has allowed us to rethink the relation between strategy and BM. Indeed, we have developed an exhaustive definition of the BM as being a part of the strategy discipline rather then a ‘challenger’ of strategy and have proposed instead to compare it with similar managerial concepts. We demonstrate through the latter comparison BM’s supremacy regarding those concepts. Moreover, the BM seems to constitute an excellent tool for strategic reflection. Its strength consists in its capacity to offer a synthetic approach to the firm’s strategy for managers. In this way, it ensures the coherence of a firm’s strategy. That is to say, a firm will not be profitable unless the BM – with all its dimensions - is strongly coherent. Indeed, the BM creates close links between its different dimensions and therefore constitutes an integrative concept.

Another important contribution, and not the least of our paper, is the notion of abstraction that regards the BM as a simplified representation of the firm’s strategy or more the firm’s business.

Shafer et al (2005) reinforced this assertion when they said that BM is not strategy. At the same time, they defined the BM according to a set of choices when they presented the BM as a representation reflecting a firm’s underlying core logic and strategic choices for creating and capturing value within a value network. The BM is thus seen as a useful conceptual tool that analyses and experiments with a set of strategic choices in order to validate and execute them, and then implements the firm’s strategy.

Like the notion of abstraction, implementation - closely related to the managerial practices and actions - is presented therefore as being an important notion that allows us to comprehend the nature of the relation between strategy and BM. The latter forms the link missing between strategy and business process (Osterwalder and Pigneur, 2002). It forms the linkage between the planning and implementation level of a business.
Finally, the BM may provide guidance to managers and experts of strategy in order to put into practice their set of strategic choices and implement their firm’s strategy. In order to do this, strategy must experiment with a number of BMs in view of finding the suitable BM and thus, the appropriate combination of BM dimensions, making strategy implementation possible. The implementation of strategy and the inherent experimentation with BM thus constitute two serious issues that are well worth further exploration.

The following exhibit summarizes the major findings of our paper in relation to these different issues. For all the reasons we have discussed, the BM concept deserves a prominent place in the management dictionary.
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