

The E-Business Model Generator

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INTRODUCTION

The relative power in the business world has long since shifted from analog to digital. Today, digitalization is relevant in virtually all business areas from classic industries to highly innovative technology sectors, and several of the most highly valued companies in the world are purely digital players (e.g., Google, Facebook, and Alibaba), each of which was a start-up not too long ago, and subsequently demonstrated enormous growth. Apart from their rapid growth trajectories, these prosperous firms have one further thing in common: a well-developed, differentiated, and clearly expressed *e-business model* based on digital value-added processes. Moreover, each of those e-business models are the focal point of the firms' business strategy and are thus the driver of their competitive advantage in today's complex and dynamic environment. The ongoing rapid development of innovative business models due to new technologies and smart ideas in the best sense of Schumpeterian resource recombination and disruptive innovation does, however, place tremendous pressure on established firms and challenges their existing (analog) business models. Several established theories and measures of firms' value creation have had to be reevaluated owing to the emergence of e-business, which led Amit and Zott (2001) to propose the "business model construct as a unifying unit of analysis that captures the value creation arising from multiple sources" (p. 494). The model holds that both the genesis of novel e-business models brought to the market through new ventures (the main focus of the *e-business model generator* presented in this chapter), but also the reconfiguration and change of existing business models toward e-business are crucial to create and sustain firms' profitability. Due to its modular approach, both types of e-business model generation can be mastered with the framework presented here, while it can also function as the basis for teaching entrepreneurship in schools and universities. This chapter provides a comprehensive framework on how to understand, create, implement and continuously (re-)evaluate a successful e-business model based on value creation through information technology. It further enables entrepreneurs and executives to easily analyze, comprehend, articulate, share, and alter their firms' value creation logic, either in its entirety or specific parts of it, throughout the whole firm and its stakeholder network.

BACKGROUND

Since information technology is the driver for economic and societal advancement in the twenty-first century, innovative information technology opens up completely new ways of conducting business and thus creating value that go beyond the classic value chain introduced by Porter (1985) (Amit & Zott, 2001; Kollmann, 2014; Porter, 1985). These new avenues of value creation through the systematic gathering, processing, and utilization of information, partly or fully independent of physical value chains,

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led to the emergence of the net economy value chain concept (Weiber & Kollmann, 1998) and a new trend disrupting the economic environment, namely e-business. *E-Business* is the use of innovative digital information technology to sell products and services, offer and exchange information, deliver comprehensive customer support, and enable individual contact between market participants via virtual contact (Kollmann, 2013).

As new opportunities arise from e-business, entrepreneurial venture activities emerge to capture value from these opportunities through the exploration and exploitation of innovative business ideas (Amit & Zott, 2001). Such new venture formation with an innovative business idea within the net economy based on and enabled by information technology is called e-entrepreneurship, and it plays a pivotal role in promoting social and economic advances (Kollmann, 2014). Hence, it is crucial to understand these new ways of conducting business and creating value in order to share it with both shareholders and stakeholders, and to be able to analyze and alter it. For executives in established firms it is also crucial because they need to react to this development sooner rather than later. Since executives in established real-economy firms have already struggled to clearly articulate how exactly they create and sustain value through the logical system that is called their firm's business model (Linder & Cantrell, 2000), the accelerating speed due to the evolution of e-business does not make things easier for them. Moreover, young start-up firms are not only more likely to implement purely digital business models based on electronic value-added processes with a focus on information (Kollmann, 2013), that is, pure e-business models, but are also more likely to be able to articulate their e-business model idea more clearly (Linder & Cantrell, 2001). Despite extensive use of the term 'business model' in both research and practice, its complex nature means a clear definition is still lacking (Casadesus-Masanell & Ricart, 2010; Linder & Cantrell, 2000; Zott, Amit, & Massa, 2011). Nonetheless, the most common understanding of this term refers to a business model as a firm's logic of how it operates and how it creates and sustains value for its shareholders and stakeholders (Chesbrough & Rosenbloom, 2002; Morris, Schindehutte, & Allen, 2005; Teece, 2010; Zott et al., 2011). The ability to understand and articulate a firm's business model is essential to access its unique patterns of conducting business and creating value and, in turn, how it creates and sustains a competitive advantage, especially in the case of intangible information-driven business models. Thus, an *e-business model* is defined as the distinct way a firm operates within the net economy and how it creates and sustains value through electronic information-related processes based on and enabled by innovative information technology.

It is logical that there will be certain important *differences* to classic business models that make it necessary to create a tool specifically designed for generating e-business models. Without such an e-business model even the smartest idea is doomed to failure. Hence, the *e-business model generator* is an essential holistic framework designed as a generic tool especially for e-ventures, that is, the result of a business formation in the net economy, as well as for the reconfiguration of business models toward e-business. It will support both e-entrepreneurs and executives wishing to set up, review and refine their digital business model, as well as investors and other stakeholders needing to ask the right questions to evaluate an e-business model's potential.

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