

Chapter 9

The Value of Choices: A Business Model Approach to Value

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ABSTRACT

Scholars and practitioners have proposed different frameworks to make business model representation easier. However, more information is still required to understand their applicability, especially concerning value perspective. This chapter focus on three of them: the Choices/Consequences, the RCOV, and the Business Model Canvas. This chapter (1) provides a comparative analysis; (2) discusses their design under the concept of value creation; (3) synthesises a new structure which contemplates their core elements, goes beyond their limitations and constitutes an alternative and useful tool. The new framework is called '(the) value of choice's (VoC). It points out – but is not limited to – the value offering architecture and enables strategic analysts to keep focus on a broad range of value outcomes: created value, appropriated value, generative value, and distributed value. The VoC is illustrated with a Brazilian tourism company's case.

BACKGROUND

Business models have become an increasingly relevant international theme both in academic and in practical terms. Around three thousand articles have been published in high-impact periodicals since the beginning of 2000 (Massa et al., 2017; Wirtz, Pistoia, Ulrich & Göttel, 2016). Among executives there is considerable interest in the subject. In the end of the 1990s, they promoted debates on value creation in e-businesses by means of business models. Since then, the specialised literature has been trying to understand and to demonstrate the utility of the concept for the field of Strategic Management (Baden-Fuller & Morgan, 2010; DaSilva & Trkman, 2014; Wirtz et al., 2016).

Topics constantly debated include the concept's definition and application, since there is still disagreement over its nature (what it is) and its function (what is it for?). Because of that, the debate suffers from some terminological inconsistency, thus hindering integrated research efforts and blurring its differences regarding related concepts such as 'strategy', for example (Arend, 2013; Massa et al., 2017).

The progress of studies on the business model field does not depend on consensual definitions because different viewpoints coexist and influence each other, showing the multidimensionality of the idea (Jensen, 2013). It is, however, important to explicitly mention the point of view adopted throughout this chapter. The business model is the logic of operation of a company. By means of that logic, internal and external resources and capabilities are dynamically mobilised, enabling a competitive positioning for the offering of products and services to the target public. Therefore, business models express the understanding of how companies organise themselves to generate value (Baden-Fuller & Mangematin, 2013; Casadesus-Masanell e Ricart, 2009; Demil e Lecocq, 2010; Wirtz et al., 2016).

Business models may be conveyed as narratives (Magretta, 2002) or as frameworks (Demil & Lecocq, 2010; Casadesus-Masanell & Ricart, 2007). This chapter is concerned with the second option and explores the instrumental character of the concept. A business model framework is a tool to depict the company's operation logic in a systemic and simplified way. It facilitates the reading and understanding of the business model an organization performs. It further allows a comparative and interrelated view of the strategic formulation's core components. Many different frameworks have been proposed to make easier the identification of a business model's components (Alberts, 2011).

However, the review carried out by Massa et al. (2017, p. 97) emphasises that the specialised literature lacks "information necessary to understand their relative merits", especially concerning value perspective. It is expected, therefore, that both practical and academic debates benefit from the comparative analysis of these tools herein conducted, as well as from a proposition that relates components theoretically consistent and empirically aligned with value generation.

This chapter focuses on the analysis of three frameworks: the first one will be called here "Choices and Consequences" (C/C) and has been proposed by Casadesus-Masanell and Ricart (2007). It suggests a cause-and-effect logic acting on the components of the value creation and capture model and represents an outside-in perspective of the business strategy.

The RCOV framework – resources and competences, organisation and value – proposed by Demil and Lecocq (2010), is included in the analysis because it underlines the dynamic relationship among components and expresses an inside-out view of the business strategy. The Business Model Canvas (BMC) introduced by Osterwalder and Pigneur (2011), on the other hand, is also analysed because practitioners more frequently adopt it, and because it integrates elements that are both internal and external to the company and take part in the composition of value.

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