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Building Better Business Models for the Digital Economy: March 2021

SUMMARY

Sustainable advantage does not come from new technology alone, but from better business models that are co-evolved and integrated with the technology and its development. The *Building Better Business Models* project is conducting a body of cutting edge, industry-focused research that explains why an understanding of the concept of business models is so essential for the UK's Digital Economy. It explains how business models can be better designed, built and implemented to exploit the transformative potential of private and public sector efforts.

PROGRESS TO DATE

Our project started in 2020 with the organising of a special issue on the topic of business models that summarised current knowledge according to more than 20 leading academics from the field of strategy that was published in the journal: *Long Range Planning*. Subsequent to that success, and supported with a £1.2 million grant from the EPSRC (EP/K039695/1) from 1 July 2013 with matching funding from Cass Business School, Wharton Business School and other sources, Professor Charles Baden-Fuller, Centenary Professor of City University London at Cass Business School has been leading an international team of scholars that have invested considerable time and effort trying to understand the philosophical, managerial, economic and technological background to the business model concept. This group has concluded that we should think of a business model as a “*model of business*” (Baden-Fuller and Morgan, 2010; Teece, 2010) with a particular focus on how technology and creativity is mobilized to engage with customers (Baden-Fuller and Mangematin, 2013 and Baden-Fuller and Haefliger, 2013). From this premise, the team has come to several quite startlingly useful conclusions.

- That there are only a limited number of fundamental business model types (in particular the dyadic and triadic types) that can be further subdivided into sub-types (such as dyadic-product, dyadic-(servitized)-solution; triadic-market-matchmaker; triadic-multisided-platform). And each of these types has a particular set of characteristics concerning the way that value is generated and the potential revenue-profit pools that can be exploited. More information concerning these types can be seen on our website www.businessmodelzoo.com.
- That entrepreneurial managers seeking to build and exploit a technology (in particular digital technology) need to recognise that choice of business model influences how the core technology is to be developed and how the final consumer is to be engaged. Each business model implies a different pathway of development for the technology, that starts long before the final product or service is perfected. For instance, the dyadic business model emphasises the need to design a quality products where final price is symbolic of potential value; and in contrast the triadic business model emphasises that the final product may be given away for free (supported by another revenue stream) so value has a different conception.

This “business model as model” perspective, has been road-showed and tested among leading academic conferences and in leading journals – with very positive results in terms of audiences to presentations and citations to our publications – see Appendix. For example, our EGOS conference tracks on business models have attracted more than 100 papers and academics; we have held keynote symposia at the Strategic Management Society conferences that have attracted several hundred academics. We have also published a special issue of 13 papers in *Advances in Strategic*

Management, articles in high level academic outlets including. Citations to our work now run in the several thousands.

Our research programme has a strong empirical component. We have examined how these cognitive conceptions of the business model get enacted by managers and influence firm and industry evolution; in particular we have studied Formula One motor cars (Aversa, Furnari, Haefliger, 2015); on-line accommodation provision (Mikhalkina and Cabantous, 2015); and with collaborators on parallel projects we have published on bio-pharma (Hopkins, Crane, Nightingale and Baden-Fuller, 2013 & Kamuriwo and Baden-Fuller, 2014); and video gaming (Rietveld, van Drenen and Baden-Fuller, unpublished).

We have developed an on-line resource for our ideas that is suitable for students and businesses: www.businessmodelzoo.com. The site was designed and launched by Philip Ertl at the start of 2015, with several upgrades over the years and a significant rebuild in 2021, led by Mark Dowsett. To date we have had more than 70,000 new users, with ever rising engagement now running at 5,000 a month. We know that our site is mainly used by students and academics from across the world, but with the rebuild we hope to attract yet more businesses.

It should be realised that our message is new and radical, and stands in sharp contrast to the popular “realist school” that considers every firm to have a unique business model describing the firm’s value delivery system without much attention being paid to the customer interface of the firm; and that the job of the manager is to copy what is already out there in the market rather than engage in creative acts of making markets and discovering profit opportunities. The “realist view” seeks to explain what is, but does not provide robust guidance for how managers and scientists should act; nor does it provide any significant mechanism for developing management thinking not integrating that thinking with technology policy. In sharp contrast the “business model as model” perspective focuses on building theory, and linking management to technology policy and action.

We have also made significant progress in building research capacity. Not only have we trained 3 post-doctoral fellows who are now employed as full-time academics, but also involved many PhDs. We also initiated an international junior faculty consortium that has been training academics through bi-monthly – meetings, an activity now taken over by others such as the Business Model Conference.

NEXT STEPS

Our academic work is continuing, we a constant stream of papers and workshops. In collaboration with partners, in particular CebAI, a major AI centre at City, we are broadening and deepening our engagement with business.

Key References (other papers are referred to in our report)

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The Team Leader:

- **Prof. Charles Baden Fuller: Principal Investigator**, Centenary Professor of Strategy, Cass Business School, City U. London, Senior Fellow, Wharton School of Business, Fellow of British Academy, Fellow Strategic Management Society, Fellow British Academy of Management, Fellow Academy of Social Sciences.

Major Collaborators:

- **Prof. Stefan Haefliger: Co-investigator** Cass Business School, City U. and ETH Zurich.
- **Dr. Paul Nightingale: Co-investigator** Deputy Director of SPRU, Sussex U.
- **Prof. Kretschmer: Co-investigator** Director CREATE, Glasgow U. (£5m RCUK hub)
- **Prof. Mary Morgan; Co-investigator** Professor London School of Economics; B.A. Fellow
- **Prof. Jennifer Whyte-** Professor Reading U., Director of the Design Innovation Research Centre, now Imperial College London
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- **Dr Sunila Lobo**, Research Fellow, Reading U.
- **Dr Sukpreet Singh**, Deputy Director Create, Glasgow U.
- **Stephen Newbury** - Consultant CEO of Oxford Innovation Intelligence Group

International Partners

- **Prof. George Day**, Geoffrey T. Boisi Professor, Professor of Marketing and co-Director of the Mack Institute for Innovation Management, Wharton School, U. Penn
- **Prof. Ian (Mac) MacMillan**, Dhirubhai Ambani Professor Innovation and Entrepreneurship, Wharton School, U. Penn
- **Prof. Rahul Kapoor**, Wharton School, U. Penn
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- **SPRU**, Science Policy Research Unit, Sussex University
- **CREATE**, RCUK Centre for Copyright and New Business Models in the Creative Economy, Glasgow U.
- **CebAI**, City, University of London,

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