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ABSTRACT

Two opposing theories have been proposed to explain competitive advantage of firms. First, the market-based view (MBV) is focused on product or market positions and competition while second, the resource-based view (RBV) aims at explaining success by inwardly looking at unique resources and capabilities of a firm. Research has been struggling to distinguish impacts of these theories for illuminating performance. Business models are seen as an important concept to systemize the business and value creation logic of firms by defining different core components. Thus, this paper tries to assess associations between these components and MBV or RBV perspectives by applying content analysis. Two of the business model components were found to have strong links with the MBV while three of them showed indications of their roots lying in the resource-based perspective. These results are discussed and theorized in a final step by suggesting frameworks of the corresponding perspectives for further explaining competitive advantage.

Keywords

E-Business, Business Models, Resource-Based View of the Firm, Market-based View, Components, Strategy

INTRODUCTION

Within a rapidly changing and globalizing world due to advances in transportation, logistics and particularly information technology, the speed of business cycles has significantly increased. Using associated opportunities, innovating business practices and rapidly adapting to newly occurring environmental threats, is commonly seen as a key factor for firms to stay in the market and ahead of competition (Harvey, 1991). Hence, tools are needed to capture, systemize, analyze and improve business practices in reaction to these challenges. Business models are seen as such a potential tool for research and practice. The associated scholarly research stream is relatively new and strongly tied to the advent of the Internet (cf. Figure 1) which fostered environmental uncertainties for firms dramatically (Osterwalder et al., 2005). Two theoretical perspectives on explaining a firm's abilities to stay ahead of markets have been proposed in strategy research: the resource-based view (RBV) of the firm and the market-based view (MBV). The resource-based perspective roots back to the contributions of Penrose (1959) and Wernerfelt (1984) and is especially of value in explaining firms' abilities to stay ahead of the market in turbulent and uncertain environments by looking at unique resources inside of a firm (Makhija, 2003; Miller and Shamsie, 1996). The MBV perspective rather evaluates on a firm's or product's strategic market positions and competition to explain performance and is based on contributions of Bain (1956), Caves and Porter (1977) and mainly Porter (1985). Research has been

struggling to distinguish or integrate the roles of these two intertwined perspectives when analyzing competitive advantage (Hedman and Kalling, 2003). Since the business model concept can be used to depict, evaluate and innovate business logics of firms systemizing core components we use these business model components in combination with both theoretical perspectives to study the questions: *'How are the business model concept and market and resource-based views of the firm interrelated? Which components of a business model can be associated with these views? How can instruments of these views be used to evaluate business model components for firm performance?'*

We evaluate on these questions by briefly outlining the concepts within section two and three and then applying a content analysis to assess the associations of business model components with each view. In a next step we discuss these results by comparing them to the literature and conceptualize a model for competitive advantage evaluation of business model components. This is done by combining results of the content analysis with the frameworks of MBV and RBV introduced in the theoretical parts of this paper. We conclude in a last step by suggesting further research and practical implications on the topic.

FUNDAMENTALS OF BUSINESS MODELS

Definition and Usefulness of the Business Model Concept

The uprising of the Internet with its possibilities for electronic business has fostered the speed of environmental changes leaving firms struggling to adapt their business practices, which is seen to be essential for their long term survival. In need for a concept to explain, operationalize and adapt their challenged activities and money earning logic, practitioners ubiquitously use the term 'business model' in today's economic world. Osterwalder (2004) emphasizes this link by arguing that the business model concept is strongly intertwined with the advent of the Internet and was not even discussed before. Our queries of the largest scientific databases support Osterwalder's argument by showing the first significant increase of the term in 1995 (cf. Figure 1).

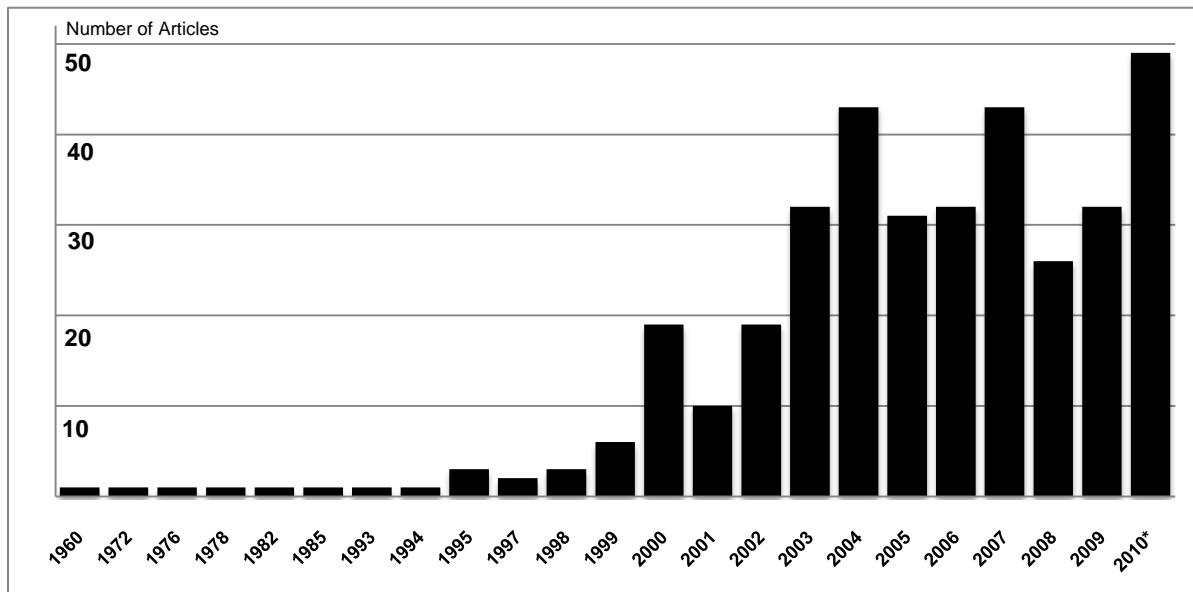


Figure 1. Articles Containing the Search Term 'business model' in the Title

Today's ubiquitous use of 'business model' by practitioners is reflected in research by manifold definitions and also misinterpretations (Doganova and Eyquem-Renault, 2009). A simple approach to understanding it might be in deconstructing the term leaving 'business' meaning 'buying and selling' or 'work to earn money' and the 'model' as a 'simplified representation'.

Author(s)	Publication	Definition
Amit and Zott (2001, p. 4)	Strategic Management Journal	<i>"A business model depicts the design of transaction content, structure, and governance so as to create value through the exploitation of new business opportunities."</i>
Baden-Fuller and Morgan (2010, p. 157)	Long Range Planning	<i>"...Role of business models is to provide a set of generic level descriptors of how a firm organises itself to create and distribute value in a profitable manner."</i>
Gambardella and McGahan (2010, p. 263)	Long Range Planning	<i>"A business model is an organization's approach to generating revenue at a reasonable cost, and incorporates assumptions about how it will both create and capture value."</i>
Magretta (2002, p. 4)	Harvard Business Review	<i>"The business model tells a logical story explaining who your customers are, what they value, and how you will make money in providing them that value."</i>
Rajala and Westerlund (2005, p. 3)	BLED Proceedings	<i>"The ways of creating value for customers and the way business turns market opportunities into profit through sets of actors, activities and collaborations."</i>
Teece (2010, p. 173)	Long Range Planning	<i>"The essence of a business model is in defining the manner by which the enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profit. It thus reflects management's hypothesis about what customers want, how they want it, and how the enterprise can organize to best meet those needs, get paid for doing so, and make a profit."</i>
Timmers (1998, p. 4)	Electronic Markets	<i>"An architecture for products, services and information flows, including a description of various business actors and their roles; a description of the potential benefits for the various business actors; and a description of sources of revenues."</i>

Table 1. Definitions of the Term 'Business Models' in Selected Literature (Adapted from Al-Debei et al. (2008))

Reconstructing these definitions, the concept might be understood as the 'representation of how a business arranges buying and selling activities to earn money'. Evaluating on the differences between strategy and the business model concept, Osterwalder (2004) depicts it as the layer 'binding' together strategy and operations of a firm by describing 'how' a firm creates value contrasting to strategy which defines 'what is done' to create value. As depicted in Table 1, the definitions of authors range from being seen as purely describing this money earning logic of a firm (e. g. Linder and Cantrell, 2001) to process and actor oriented views (e.g. Timmers, 1998). The logic of value creation seems very common and is almost contained within all articles defining business models due to the ability of attracting customers. The importance of this business model concept is reflected in a research manifesto by Spohrer and Chesbrough (2006) stating that "any useful answers to 'why companies and industries vary in their productivity' or 'why value migrates to different parts of the stack' will invariably involve [...] business models..." (Chesbrough and Spohrer, 2006, p. 40) The importance is underlined by many authors mostly due to the presentation of the concept's abilities and values. These include (Osterwalder, 2004):

- Understanding and communicating of business logic through capturing and visualization;
- Enabling measurement, analysis and inter-firm comparison of business logic;

- Innovating, designing and changing business activities;
- Simulating and patenting of designed business logic;
- Improving of decisions related to a firm's success or new ventures;

Taking into account these abilities, a decent research stream on the aforementioned business model concept has emerged, which is also mirrored within recent strategic management publications on dynamic capabilities (e.g. Teece, 2007). The concept is particularly addressing four dimensions depicted within Figure 2 (Pateli and Giaglis, 2003). The first was already addressed above and contains definitions of the concept. It is seen to be the groundwork of a research field and forms the building block for the second dimension that focuses on key components such as pricing models constituting the business model. An overview on the state of the art in research concerning components is given in the following section and needed as a basis to understand the third dimension of taxonomies, which categorizes different kinds of business models by their components and attributes. The fourth dimension of evaluation and change models explores possibilities of innovating business models and is found seldomly in today's publications on the topic which might be due to its needs of substantial groundwork on the other three dimensions as buildings blocks (Shin and Park, 2009).

In this paper we focus on the second dimension of components within the discussion part and exclude details on the third and fourth dimensions. This seems reasonable since the second dimension encompasses the 'ingredients' of business models which might be associated with resources or capabilities.

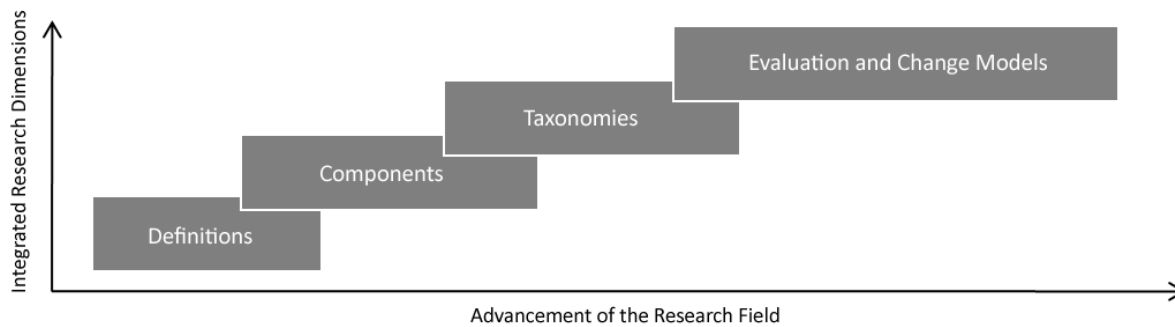


Figure 2. Dimensions of the Business Model Concept. Constructed from: Pateli and Giaglis (2003)

Components of a Business Model

Components are seen as building blocks and the second dimension of business models. Some authors even use the components of business models to define the entire concept (Pateli and Giaglis, 2003). As already shown in the examples of definitions, there is an extensive support found in literature for the process of value creation or proposition as one of the core components of business models. As depicted in Table 2, some authors even entirely devote their components to value (e.g. Al-Debei et al.). Regarding other components, much less common views are observed. The large variance might be due to different causes.

First, since business model research is interdisciplinary, some observed definitions of components emphasize on the specific domains of their authors (e.g. Timmers has a marketing background, which is strongly reflected by the last three of his components). Others largely vary in their degree of abstraction from only giving three generic components (e.g. Amit and Zott) to larger numbers of fine grained components and subcomponents as very similarly proposed by Osterwalder et al. (2005) and Pateli and Giaglis (2003). The latter and fine grained perspective is adopted within this work since deeper insights into components are needed to thoroughly evaluate on them from a resource-based perspective.

The fine-grained systemization of business model components by Osterwalder et al. (2005) is derived through a meta-analysis and largely cited in literature. Hence, we depict the nine components in Table 3 as an example of such building blocks of business models together with a short description.

Author(s)	Publication	Components of a Business Model
Afuah and Tucci (2000)	Book	<ul style="list-style-type: none"> • <i>Customer Value</i> • <i>Price</i> • <i>Revenue Sources</i> • <i>Scope</i> • <i>Capabilities</i> • <i>Sustainability</i>
Al-Debei et al. (2008)	AMCIS Proceedings	<ul style="list-style-type: none"> • <i>Value Proposition</i> • <i>Value Network</i> • <i>Value Architecture</i> • <i>Value Finance</i>
Amit and Zott (2001)	Strategic Management Journal	<ul style="list-style-type: none"> • <i>Governance</i> • <i>Structure</i> • <i>Content</i>
Demil and Lecocq (2010)	Long Range Planning	<ul style="list-style-type: none"> • <i>Resources and Competencies</i> • <i>Organization</i> • <i>Value Propositions</i>
Osterwalder et al. (2005)	Communications of the AIS	<ul style="list-style-type: none"> • <i>Value Proposition</i> • <i>Target Customer</i> • <i>Distribution Channel</i> • <i>Relationship</i> • <i>Value Configuration</i> • <i>Core Competency</i> • <i>Partner Network</i> • <i>Cost Structure</i> • <i>Revenue Model</i>
Pateli and Giaglis (2003)	BLED Proceedings	<ul style="list-style-type: none"> • <i>Mission</i> • <i>Target Market</i> • <i>Value Proposition</i> • <i>Resources</i> • <i>Key Activities</i> • <i>Cost and Revenue Model</i> • <i>Value Chain or Net</i>
Timmers (1998)	Electronic Markets	<ul style="list-style-type: none"> • <i>Business Activities</i> • <i>Potential Benefits</i> • <i>Sources of Revenue</i> • <i>Marketing Strategy</i> • <i>Marketing Mix</i> • <i>Product-Market Strategy</i>
Weill and Vitale (2001)	Book	<ul style="list-style-type: none"> • <i>Customers and Consumers</i> • <i>Suppliers</i> • <i>Allies</i> • <i>Product, Information and Money Flows</i>

Table 2. Different Components of Business Models in Selected Literature

THEORETICAL FOUNDATIONS OF RESOURCE AND MARKET-BASED PERSPECTIVES

Historical roots of the resource-based view might be seen in the contributions of Smith (1723-1790) and Ricardo (1772-1823) on production and input factors (i.e. Labour, Capital, Land). In the reign of the later named resource-based view of the firm (RBV) Penrose is the first known author to define “a firm as a collection of productive resources” (Penrose, 1959) which’s size “is best gauged by some measure of the productive resources it employs” (ibidem). She also reports heterogeneous resources of firms within the same industry. Based on the idea of resources Pfeffer and Salancik (1978) develop their resource-dependence perspective which depicts uncertainty as a function of dependencies on external resources of a firm (e.g. ore). They propose normative strategies to reduce these dependencies either through internal actions such as absorption or external actions such as integration. A shortcoming compared to the later resource-based view is their understanding of resources as an external strategic factor without considering the internal process of producing goods and services. Wernerfelt (1984) proposes to integrate resources in strategic decision making by “analysing a firms resource position and look[ing] at some strategic options...” (Wernerfelt, 1984) and is thereby considered the originator of today’s resource-based view theory. The main idea of this theory is to find reasons for superior firm performance within the strategic resource base of a firm rather than looking at a firm’s position in an external market (MBV). This is explained by Barney (1995) as the RBV filling the two missing internal spots (strengths, weaknesses) in the SWOT-Framework while external opportunities and threats are addressed by theories associated with the MBV. Building on these groundworks Barney (1991; 1986; 1989; 1995) examines the links between firm resources and competitive advantage largely opening up discussion on RBV within the scholarly community. The theory is advanced into the concept of core competencies by Prahalad and Hamel (1990) and into the theory of dynamic capabilities mainly by Teece (Teece and Pisano, 1994; Teece et al., 1997)

Component	Description
Value Proposition	<i>Gives an overall view of a company's bundle of products and services</i>
Value Configuration	<i>Describes the arrangement of activities and resources</i>
Target Customer	<i>Describes the segments of customers a company wants to offer value to</i>
Relationship	<i>Explains the kind of links a company establishes between itself and its different customer segments</i>
Distribution Channel	<i>Describes the various means of the company to get in touch with its customers</i>
Core Competency	<i>Outlines the competencies necessary to execute the company's business model</i>
Cost Structure	<i>Sums up the monetary consequences of the means employed in the business model</i>
Revenue Model	<i>Describes the way a company makes money through a variety of revenue flows and pricing models</i>
Partner Network	<i>Portrays the network of cooperative agreements with other companies necessary to efficiently offer and commercialize value</i>

Table 3. Description of Business Model Components (Adapted from Osterwalder et al. (2005))

An important issue regarding the RBV is to define what resources in this reign actually are and how they can be differentiated. This challenge is addressed by numerous scholars (e. g. Miller and Shamsie, 1996). Tangible assets usually are

physical assets such as machines which mostly degenerate over time and have a limited capacity. Intangible Assets such as brands might be unlimited in their capacity (e.g. a brand might potentially be used for an infinite number of products) and sometimes might hold their value over time. Intangible skills such as knowledge, creativity or collaborative skills and competencies might even increase their value over time if they are fostered and maintained (Miller and Shamsie, 1996; Prahalad and Hamel, 1990). Infinite numbers of possible resources pose the challenge on the evaluation of resources and their strategic importance. This challenge is addressed by Barney (1991; 1995) suggesting the VRIO-Framework shown in Table 4 to evaluate on the importance of firm resources. It encompasses four questions (e.g. is the resource rare?). Barney argues that if all questions are answered with yes then a resource is able to promote sustained competitive advantage to a firm. The framework is a first approach to operationalize the evaluation of resources but still poses some questions such as which sources of a firm to evaluate since it focuses on the analysis of single resources rather than a systematic analysis of the firm in its environment. It also has to be taken into account if resources may wear off over time, which is not included within the questions of the framework but might be amended. Potential interrelations between the resources of a firm are also not addressed within the framework.

Valuable?	Rare?	Costly to Imitate?	Exploited by Org.?	Competitive Implications
No	-	-	No	Competitive Disadvantage
Yes	No	--	↑ ↓	Competitive Parity
Yes	Yes	No		Temp. Competitive Adv.
Yes	Yes	Yes	Yes	Sustained Competitive Adv.

Table 4. VRIO-Framework to Identify Important Resources (Adapted from Barney (1991; 1995))

Industrial organization is one of the main streams within the market-based perspective (Makhija, 2003). The MBV evaluates on a firm's or product's strategic market positions and rivalry within the industry to explain performance and is based on contributions of Bain (1956), Caves and Porter (1977) and mainly Porter (1985; 1980; 1981).

Method and Research Design

Content analysis is a scientific research method to gain "replicable and valid inferences from text" (Krippendorff, 2004, p. 18) materials and thereby find values, associations, trends, characteristics, patterns or concepts. It is commonly used in the social sciences and demands for more qualitative research to gain richer data (e.g. Duriau et al., 2007; Lacity and Janson, 1994) have fostered its use in traditionally positivistic and quantitatively oriented disciplines like IS or management science (Insch et al., 1997). Objectivity, reproducibility, validity and reliability of these outcomes are obtained through rigorous rules and systematic procedures distinguishing content analysis from regular critical reading. The rules have been refined and adapted to the various needs of different disciplines over time (e.g. Abbasi and Chen, 2008; Angelmar and Stern, 1978). Aforementioned potential of this methodology in uncovering associations is of high value regarding the research objectives of this study and therefore used to elaborate on the associations of the business models components with RBV and MBV. This is operationalized by systematically developing a coding scheme from the most cited RBV and MBV literature and coding these characteristics within the most cited textual descriptions of business model components. Coding is conducted by two independent coders to ensure intercoder reliability that is calculated by using Holstis' (1969) CR percent agreement. This measure is commonly used in content analysis (cf. Barringer et al., 2005; Zhu and Kraemer, 2003) to measure intercoder reliability and utilized in this study due to its simple and fast applicability. There is no common absolute number of these coder agreements which is found to be satisfactory in the academic discussion on reliabilities. This is due to large differences especially in the units of analysis and coding but also in coding schemes, complexity of the evaluated contents and coder experience on the topic. Nevertheless, Mayring (2000) proposes a reliability of at least 0.7 for acceptable results and Frueh

(2007) gives a range of 0.75 to 0.85 as reachable with very well defined coding rules. Our results within this work show an overall reliability of 0.79 which might be interpreted as a satisfying result (Mayring, 2000).

Results and Discussion

In this section we first depict our results of the content analysis in Table 5 and discuss these results subsequently. Six of the business model components largely showed codings for the MBV and three of the components' descriptions were coded as associated with the RBV. Strength of the associations was measured through frequencies of codings.

Grouping	Component	Associations Found Using Content Analysis
Product-oriented	<i>Value Proposition</i>	<i>Evidence Found for Medium Association with MBV</i>
Customer-oriented	<i>Target Customer</i>	<i>Evidence Found for Strong Association with MBV</i>
	<i>Distribution Channel</i>	<i>Evidence Found for Medium Association with MBV</i>
	<i>Relationship</i>	<i>Evidence Found for Medium Association with MBV</i>
Infrastructure and Resource-oriented	<i>Value Configuration</i>	<i>Evidence Found for Very Strong Association with RBV</i>
	<i>Core Competency</i>	<i>Evidence Found for Strong Association with RBV</i>
	<i>Partner Network</i>	<i>Evidence Found for Strong Association with RBV</i>
Finance-oriented	<i>Cost Structure</i>	<i>Evidence Found for Medium Association with RBV</i>
	<i>Revenue Model</i>	<i>Evidence Found for Strong Association with RBV</i>

Table 5. Associations of RBV and MBV with the different Business Model Components Gained Through Content Analysis (Components adapted from Osterwalder et al. (2005))

Based on the fine-grained and largely cited business model components systemization of Osterwalder et al. (2005) introduced in the theoretical part, we discuss these results for each of the different components of a business.

We start with the first component (cf. Table 5) 'Value Proposition', which is described by Osterwalder et al. (2005) as including an overview on products and services of a firm in relation to markets and competitors. This supports our findings during the content analysis of associating it with market-based views (e.g. Porter, 1980; Porter, 1985) focusing on a firm's or a product's competitive positioning within a segment and other external factors such as switching costs (e.g. Farrell and Shapiro, 1988). Nevertheless, an alternative theoretical interpretation might be found for the component 'Value Proposition' since Prahalad and Hamel (1990) base their concept of core competencies on a firm's resources but further develop it into one of core products. This can be seen as a contradiction in the roots of the component since pointing to a resource-based approach opposed to our argumentation above as a product and its value proposition to customers was outlined as a typical market-based view supported by Porter and others. We found the second component 'Target Customer' to be strongly linked to MBV which seems reasonable since it is described as defining the customer segments a company wants to offer value to which is for instance partially addressed in Porter's thoughts on the five forces (Porter, 1979).

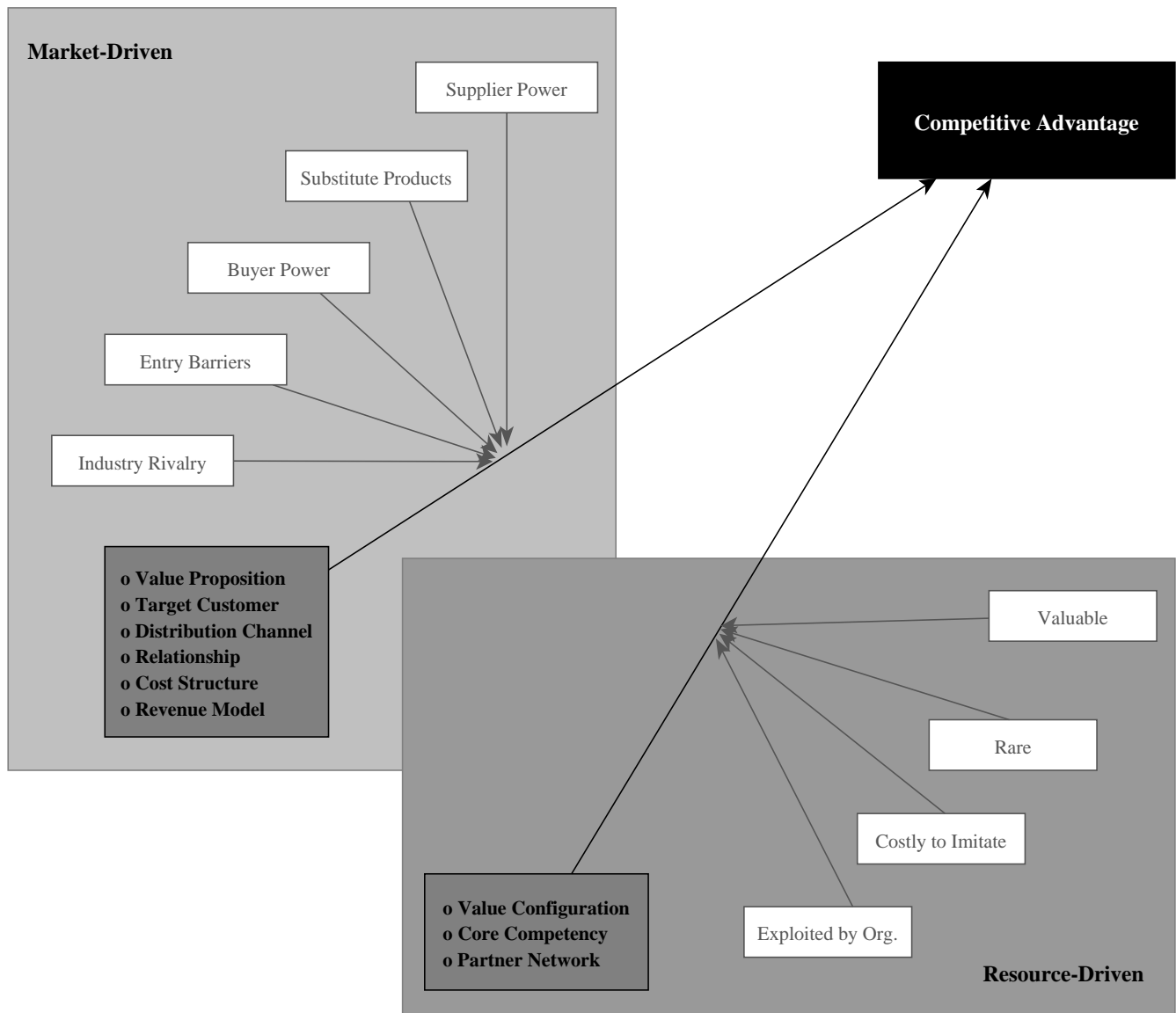


Figure 3. Market and Resource-Driven Components of the Business Model

'Distribution Channels' as another component of business models is mostly discussed by applying microeconomic theory and Industrial Organization analysis (Stern and Reve, 1980), which are also associated with a market-based view (Hedman and Kalling, 2003; Makhija, 2003) supporting our findings of the content analysis. This association is also stressed by the fact of Porter discussing the channels in his suggestions on competitive advantage and market forces (Porter, 2008) that are seen as groundwork of the MBV. Nevertheless, there has been some discussion on the configuration of technical issues regarding 'Distribution Channels' by individual organizations that could be interpreted as also matching with a resource-based approach (e.g. Gattorna, 1978) contradicting the findings from our study. The 'Relationship' component is seen in a very similar manner and depicted as explaining the communicative links between a firm and its customer segments. The 'Value Configuration' component is explained as "describing the arrangement of activities and resources" (Osterwalder et al., 2005) internal to an organization. This description strongly indicates a rather resource-oriented component, which supports our findings of the content analysis. Emphasizing our results, the next component 'Core Competency' can also be theoretically linked to the resource-based view perspective since Prahalad and Hamel (1990) describe competencies as the skills of an

organization to use resources. Such competencies are defined as core competencies if they significantly contribute to customer value, contribute to the uniqueness of a product or service, are expandable and mostly knowledge-based (Prahalad and Hamel, 1990). ‘Partner Network’ outlines cooperative agreements with other firms allowing to create and offer value. Barney (1991) describes ‘organizational capital resources’ also as relations between a firm and the firms in its environment, pointing to a rather resource-oriented component which goes in parallel with our findings of the study. The last two finance-oriented components ‘Cost Structure’ and ‘Revenue Model’ are theoretically grounded in industrial organization theory since this approach is described as suggesting microeconomic performance measures for competition such as cost minimization and price setting (Porter, 1981). Thus, the industrial organization theory is strongly associated with a MBV perspective in literature (Hedman and Kalling, 2003) and therefore these thoughts might be interpreted as also supporting our findings.

Regarding these results and interpreting them for competitive advantage research, we suggest using the tools and frameworks of the RBV for evaluating on the business model components found to be associated with it in this study as depicted in Figure 3. Hence, the VRIO-Framework (Barney, 1991; 1995) of the RBV might accordingly be applied to investigate on the influences on competitive advantage of the components ‘Value Configuration’, ‘Core Competency’ and ‘Partner Network’ with its determinants as intervening variables. Moreover, for the components found to be associated with the MBV, Porters concept of five forces (Porter, 1985; Porter, 1980; Porter, 1981) might be utilized to measure, analyze and predict determinants of competitive advantage based on the components ‘Value Proposition’, ‘Target Customer’, ‘Distribution Channel’, ‘Relationship’, ‘Cost Structure’ and ‘Revenue Model’.

The findings outlined above are based on a coded content analysis and supported through a theoretical grounding. This suggests tendencies for the components and their roots to either market-based or resource-based views. Nevertheless, there might be other links and interpretations found for the components and their roots since we only conducted a content analysis based on most cited literature regarding the topic and no quantitative evaluation, which might be seen as a limitation to this paper. To counter these limitations and quantify the differences, we suggest a large-scale approach to test the findings of this paper.

CONCLUSION

Evaluating on the interrelations between the business model concept and market and resource-based views of the firm we conducted a content analysis to assess the associations between business model components and MBV or RBV and conceptualizations for competitive advantage research. We found two of the components (‘Target Customer’, ‘Revenue Model’) to be rather strongly associated with market-based views such as industrial organization, another four of the components (‘Value Proposition’, ‘Distribution Channel’, ‘Relationship’, ‘Cost Structure’) showed medium links to the MBV. The remaining three components ‘Value Configuration’, ‘Core Competency’ and ‘Partner Network’ showed strong or very strong indications of their roots lying in a rather resource-based perspective and were labeled as the group of ‘Infrastructure and Resource-oriented’ components. In a next step we discussed and grounded the findings by drawing and arguing from RBV and MBV literature. Our findings support Hedman and Kalling (2003) in proposing the business model as a concept integration the resource and market-based perspectives. But we went further by analyzing the links between individual components and RBV and MBV. Suggestions on how the findings can be interpreted and used to study determinants of competitive advantage in the reign of RBV and MBV were given. Exemplarily the VRIO-Framework (Barney, 1991; 1995) might be used to evaluate on the components of a business model which are associated with the RBV. We finished our discussion by giving hints on some limitations. Further research might assess the individual components’ contributions to competitive advantage and a large-scale quantitative study can further develop and test our suggested determinants and intervening variables. The developed model might also be applied to quantitatively investigate on a business models’ contributions to competitive advantage in certain contexts.

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