Westcliff International Journal of Applied Research
WIJAR

Westcliff International Journal of Applied Research
Vol. 1, No. 2. Fall 2017

Osterwalder's business model canvas:

Its genesis, features, comparison, benefits and limitations

Donovan A. McFarlane

donovanmcfarlane@westcliff.edu

Abstract

This essay is a brief exploration of Osterwalder's Business Model Canvas. The author discusses the genesis of the Business Model Canvas, the unique features of the approach of the Business Model Canvas, and then compares the Business Model Generation to other business model approaches. Finally, the benefits and/or limitations of using Osterwalder's business model canvas in the context of the author's organization – a higher education organization, are examined.

Keywords: Building Blocks, Business Model Canvas, Customer Relationship, Partner Network, Revenue Stream, Value Proposition

Licensed under a Creative Commons Attribution-NonCommercial 4.0 International License.

Introduction

Business models are becoming increasingly popular in both theory and practice. However, despite their increasing popularity, the concept of business model is relatively new (Leschke, 2013), and even many MBA graduates today lack understanding of the term and/or have never been introduced to the term. This author was introduced to the concept of a business model back in 2005 while pursuing an MBA at the Huizenga College, Nova Southeastern University, and while reading Dr. Art Weinstein's book on superior customer value. Weinstein (2012) defines a business model as the way a company captures, creates, and delivers value to its customers. This introduction to the concept of business models was rather intensive compared to Osterwalder's Business Model Canvas.

Discussion

Osterwalder's Business Model Canvas as it exists today is over a decade in the works with its initial conception and introduction in the designer's 2004 PhD Thesis at the University of Lausanne and further developed in 2008 (Leschke, 2013). According to Osterwalder (2004), the purpose of a business model is to describe and present the rationale of how organizations create, deliver and capture value. An extensive review of business models in preparation for the creation of the Business Model Canvas was undertaken by Osterwalder, Pigneur and Tucci (2005). This definition and the conception of an approach to capturing, creating, and delivering value is not new as there were business models presented prior to the Business Model Canvas that include simple categorizations such as brick-and-mortar, brick-and-click, Internet pure play, etc. (Kotler & Keller, 2016; Leschke, 2013; Weinstein, 2012). In 2010, Osterwalder and Pigneur further clarified and refined the business model by looking at its nine (9) building blocks: value propositions, key activities, key resources, partner network, customer segments, channels, customer relationship, cost structure and revenue streams (Osterwalder & Pigneur, 2010).

Unique Features of the Business Model Canvas

Osterwalder's Business Model Canvas has several important components called "building blocks" as described above, and further elaborated on by Osterwalder and Pigneur (2010). These building blocks are not unique in the realm of business jargons and processes. However, Osterwalder presents these in a chart that can better help companies to plan in the value creation

and value delivery process. Furthermore, Osterwalder's model presents key components that are missing from many business model considerations. Here, the creator of the Business Model Canvas designs and presents a dashboard-like map of important components of value creating and value-adding activities in firms. While the individual components of the model are not unique features, integrating them into a value-map is a good feature of Osterwalder's work.

Business Model Generation vs Other Business Model Approaches

The Business Model Generation is like other business model approaches. For example, where Osterwalder and Pigneur (2010) generate their business model from key functional business focus such as customer segments, value propositions, channels, customer relations, revenue streams, key resources, key activities, key partnerships, and cost structure. Hamel (2000) also includes key resources, customer interface and value network as important in generating business model. Hedman and Kalling (2003), and Rasmussen (2007) also use similar components to generate their business model approaches. For example, Hedman and Kalling (2003) look at customers and organizational resources and activities, and Rasmussen (2007) also emphasize value proposition, market segment, cost structure, and value network. There are other business model approaches that differ significantly from Osterwalder's Business Model Generation. For example, Gordijn and Akkermans (2001) identify the following aspects of business as the keys in generating business models: value in, value port, actor, value activity, value exchange, value object, and profitability calculation. Osterwalder's model also differ from Amit and Zott (2010), who propose generating business model on structure and efficiency.

Benefits and Limitations of Osterwalder's Business Model Canvas

While Osterwalder's Business Model Canvas is not a new idea in the realms of conceptualization of value creation and delivery process models in business, it is a useful model that allows organizational leaders and managers to map their organization along vital value-creating functions and activities. In a higher education organization, similar to one where this author works, Osterwalder's Business Model Canvas can be used to effectively identify important components of value creation and value delivery, and in doing so, it provides a better platform for the organization to develop and implement strategy around core activities, resources, and processes. For example, universities and colleges can examine the building blocks of business

model to identify opportunities, deficiencies, and to improve and add value to services for students. The business model canvas can also be used to identify and foster inclusiveness (Michelini & Fiorentino, 2011) factors in the educational process.

Conclusion

While Osterwalder (2004) enlarged and further developed and expanded our understanding and conception of business models, business and management literature was already aware of and operationalizing the concept across diverse industries, as well as across manufacturing and service-oriented firms. Nevertheless, Osterwalder popularized the concept and broadened it outside of the simplistic conceptions of business models and demonstrated how companies could use the Business Model Canvas in answering the important questions of capturing, creating, and delivering value in a more complex and highly integrated competitive global environment and market.

REFERENCES

Amit, R., & Zott, C. (2010). Business model design: an activity system perspective. *Long Range Planning*, 43(2/3), 216-26.

Gordijn, J., & Akkermans, H. (2001). E3-value: Design and evaluation of e-business models. *IEEE Intelligent Systems*, 16(4), 11-17.

Hamel, G. (2000). *Leading the Revolution*. Boston, MA: Harvard Business School Press.

Hedman, J., & Kalling, T. (2003). The business model concept: theoretical underpinnings and empirical illustrations. *European Journal of Information Systems*, 4(1), 49-59.

Kotler, P., & Keller, K.L. (2016). *A Framework for marketing management, 6th edition*. Upper Saddle River, NJ: Prentice Hall.

Leschke, J. (2013). Business model mapping: A new tool to encourage entrepreneurial activity and accelerate new venture creation. *Journal of marketing Development and Competitiveness*, 7(1), 18-26.

Michelini, L., & Fiorentino, D. (2011). New business models for creating shared value. *Social Responsibility Journal*, 8(4) 561-577.

Osterwalder, A. (2004). *The Business Model ontology: A proposition in a design science approach*. Unpublished PhD Thesis, University of Lausanne, Lausanne, CH.

Osterwalder, A., & Pigneur, Y. (2010). *Business model generation*. Hoboken, NJ: John Wiley & Sons.

Osterwalder, A., Pigneur, Y., & Tucci, C.L. (2005). Clarifying business models: origins, present, and future of the concept. *Communications of the AIS*, 16(1) 1-25.

Rasmussen, B. (2007). Business models and the theory of the firm. *Working Paper 32*, CSES, Victoria University, Melbourne, June 2007.

Weinstein, A. (2012). *Superior customer value: Strategies for winning and retaining customers, Third edition*. Boca Raton, FL: CRC Press.