A Conceptual Framework for Business Model Research

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Abstract

The business model concept is useful in analysing and communicating the essence of a business, and for predicting the implications of electronic commerce on an existing business. As useful as the concept is, there is a lack of consensus among researchers on the definition of a business model, and on the constructs of the business model.

The aim of this paper is to propose a conceptual framework for business model research that provides a basis for theory development and debate. Without such a conceptual framework business model research will progress in an ad hoc fashion and be directed by the immediate needs of individual researchers.

The financial reporting conceptual framework developed over many years by the accounting profession, is used as a mould for the hierarchically structured, business model conceptual framework that is the subject of this paper. In addition the notion of primacy of concept is used to determine the business model elements and architecture.

It is envisaged that the business model conceptual framework will guide future research and that it will be reviewed and refined, just as the financial reporting conceptual framework has been reviewed and refined over decades.

Keywords: business model, primacy of concept, conceptual framework, ecommerce, financial reporting conceptual framework

Introduction

The business model is an abstract concept with many facets. It describes the implementation of a business concept and is used for multiple purposes by different users. It is thought by some that a business might succeed or fail depending on its business model. Business consultants and academics use the term business model to describe the operations and business concepts of an entity and ‘despite its vagueness, the business model concept has become a pertinent notion in the managerial vocabulary’ (Tikkanen, Lamberg et al. 2005, p.789).

The business model concept became prominent during the ‘dot com’ boom of the late twentieth century. It is not that business models did not exist before this time it is just that the notion was yet to be conceived. The advent of electronic commerce caused dramatic changes in the way businesses offered products and services and to the products and services themselves, causing
significant changes in the underlying business processes and infrastructure. The business model concept was born out of the need to understand and explain these new ways of doing business. However, if the term is to have long-term utility there must be some consensus on what a business model actually is and how it should be represented.

Numerous definitions of business models have been proposed, some are abstract (Hamel 2000; Hawkins 2002; Rappa 2006; Timmers 1998; Weill and Vitale 2001) whilst others are detailed and prescriptive of the business functions (Chesbrough and Rosenbloom 2000; Dubosson-Torbay, Osterwalder et al. 2002; Mahadevan 2000).

Research that proposes components of business models is also prolific (Afuah and Tucci 2003; Alt and Zimmermann 2001; Chesbrough and Rosenbloom 2002; Hamel 2000; Linder and Cantrell 2000; Magretta 2002; Mahadevan 2000; Weill and Vitale 2001). The problem with the early research in this area is that it was largely driven by researcher perception.

Osterwalder et al (2002) synthesised the existing electronic commerce and management literature to produce a comprehensive ‘business model ontology’(BMO) that specifies, in a structured way, elements and sub-elements of the business model. The BMO is prescriptive in nature, providing element descriptions, associations, attributes and units of measurement aiming to serve as the foundation of management tools.

A business model ontology that takes an economic value, multi-viewpoint approach to business modelling is the ‘e³value’ ontology. It depicts the value exchanges within a business network and focuses on the interactions of the entity with others in the value network (Gordijn and Akkermans 2001). The aim is to articulate and evaluate innovative business ideas.

The ‘e³value’ ontology and the BMO add significantly to the body of business model knowledge and both provide tools for gathering and analysing business model data even though their perspectives and objectives differ.

Gordijn and Osterwalder (2005) assert that the ‘e³value’ and the BMO complement each other and have the potential to be integrated to better meet the needs of potential users. The success of this would hinge on the unifying element(s), which is, at least in part, addressed by the notion of primacy of concept, discussed in this paper. Other obstacles to integrating the two ontologies include the fact that they utilise different modelling tools (‘e³value’ utilises UML and BMO utilises an XML based tool) and that a generic business model that integrates the BMO and ‘e³value’ could result in a large number of elements hence detracting from its useability.

In this paper it is postulated that, what is required is a conceptual framework for business models that permits a range of perspectives to be explored and a modelling paradigm that can accommodate multiple business model views. The subject of this paper is the conceptual framework; the modelling paradigm is the subject of future research.

The Need for a Business Model Conceptual Framework

The goals of a conceptual framework are threefold. Firstly, to describe existing practice, secondly, to prescribe future practice; and thirdly, to define key terms and fundamental issues. The conceptual framework should provide the basis for future debate especially in relation to prescriptions for future practice and definitions of key terms and fundamental issues (Miller 1987). A conceptual framework aims to ‘…broadly define a number of key terms and concepts that can be used in identifying and debating the issues.’ (Miller and Islam 1988, p.96).

Given the state of business model research and the lack of consensus regarding definitions and constructs of business models it seems appropriate to apply the conceptual framework in a bid to progress the research.
The financial reporting conceptual framework established by the accounting profession over the past 30 to 40 years will be used as a basis for this business model conceptual framework. Both financial reporting and business modelling endeavor to communicate aspects of the business to a wide and varied audience and the interests of a wide range of user groups need to be considered when developing practice guidelines and theory. It is reasonable then to expect that the theory development problems encountered by the accounting profession can serve as lessons for business modelling and that benefits can be gained by adopting a conceptual framework along the lines of the financial reporting conceptual framework.

The next section describes the building blocks of the financial reporting conceptual framework and applies them to business modelling.

**Financial Accounting and Its Relevance to the Business Model Problem Domain**

As early as the fifteenth century, financial transactions have been recorded according to the rules of cost-based, double-entry bookkeeping (Henderson, Peirson et al. 1992) and reported to users (mostly owners of assets) in a range of formats. The financial information assisted merchants, landowners, and others to assess management performance and to make decisions about the allocation of their scarce resources.

Although the same cost-based, double-entry bookkeeping methods are used today, the complexity of financial transactions and markets has increased the problems associated with financial reporting. From the mid-1970s through to the mid-1980s the Financial Accounting Standards Board (FASB) developed the *Financial Reporting Conceptual Framework* (FRCF) to assist financial accounting standard setters to decide what to include in financial statements, how to measure and report transactions and other financial information in a structured and consistent manner. Prior to the FRCF, financial accounting standards were developed in an ad hoc fashion, relying entirely on the concepts of individual researchers and standard setters.

‘The [financial reporting conceptual] framework is a set of connected concepts which will specify the nature, subject, purpose and broad content of financial reporting’ (Miller and Islam 1988, p.1).

The main objective of the FRCF is to ‘serve as a guide to standard setters as they establish the principles and concepts that underpin financial accounting and reporting standards’ (FASB 2006) and to assist the preparers of financial statements, auditors, and other users of financial statements in making decisions surrounding financial reporting (Bullen and Crook 2005).

The FRCF describes and defines the scope of financial reporting, the entities that should produce financial reports, the objectives of financial reporting, and the elements of financial reports. It provides an orderly, unified set of concepts on which to base financial reporting decisions (FASAC 2004). It is ‘a coherent system of interrelated objectives and fundamentals…’ (FASB, 1997 cited in Deegan 2006 p.4) and provides a basis for debate of financial reporting requirements. Financial reporting pervades the business world and is subject to legislative controls and accounting professional body standards.

Like financial reports, business model reports aim to provide information useful to for decision making by internal and external stakeholders. Diverse business model users stand to benefit from a unifying business model conceptual framework just as users of financial reports have gained from a FRCF.

The original FRCF will be used in this research even though it has undergone several revisions since inception. It is envisaged that the business model conceptual framework will be refined over time to better suit the needs of business model researchers and users just as the FRCF has been refined to suit the changing needs of financial reporting researchers and practitioners.
The original FRCF comprised eight conceptual levels as shown in Table 1. Each level relies on the levels above it for guidance. Levels 1 and 2 clarify the domain of financial reporting, and Level 3 states the objectives of financial reporting. Level 4 defines the elements of the financial statements and the qualitative characteristics of those elements necessary to meet the objectives stated in Level 3. Level 5 deals with the operational aspects of element recognition and measurement. Level 6 specifies the types of reports to be generated. Levels 7 and 8, of the original FRCF, deal with standards setting policies and enforcement.

### Table 1: FRCF adapted for the BMCF

<table>
<thead>
<tr>
<th>Level</th>
<th>FRCF</th>
<th>BMCF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Definition of Financial Reporting</td>
<td>1  Definition of Business Modelling</td>
</tr>
<tr>
<td>2</td>
<td>Definition of the Reporting Entity</td>
<td>Not relevant. No obligation exists for any entity to report on their business models</td>
</tr>
<tr>
<td>3</td>
<td>Objectives of Financial Reporting</td>
<td>2  Objectives of Business Modelling</td>
</tr>
<tr>
<td>4</td>
<td>Fundamentals Qualitative characteristics of financial statements</td>
<td>3  Fundamentals Qualitative characteristics of business model representations</td>
</tr>
<tr>
<td></td>
<td>Elements of financial statements</td>
<td>Elements of business models</td>
</tr>
<tr>
<td>5</td>
<td>Operational Basis of recognition</td>
<td>4  Operational Basis of recognition</td>
</tr>
<tr>
<td></td>
<td>Basis of measurement</td>
<td>Basis of measurement</td>
</tr>
<tr>
<td></td>
<td>Measurement techniques</td>
<td>Measurement techniques</td>
</tr>
<tr>
<td>6</td>
<td>Display</td>
<td>5  Business Model Representations</td>
</tr>
<tr>
<td>7&amp;8</td>
<td>Standard setting policy and enforcement</td>
<td>Not relevant to business modelling</td>
</tr>
</tbody>
</table>

### The Business Model Conceptual Framework (BMCF)

Based on the hierarchy of concepts of the FRCF, a business model conceptual framework (BMCF) can be developed that provides the foundation for business model representations. In applying the FRCF to business modelling, Levels 2, 7 and 8 will be excluded since they relate to regulations and standards, and business modelling is not subject to any regulations or standards. This means the BMCF has only five levels as shown in the right-hand side of Table 1. The focus of this paper is on the first three levels of the BMCF. Levels 4 and 5 will be discussed briefly in this paper but require considerably more attention once the first 3 levels have been established.

Figure 1 illustrates the BMCF in the format adopted by the original FRCF. The inverted pyramid represents the domain of business modelling that must be agreed before proceeding with any discussion about the objectives or specifics of business modelling. The bottom pyramid emphasises the hierarchy of conceptual levels stressed by the framework. Before deciding on the elements and their qualitative characteristics and architecture, the objectives need to be agreed. Only once these fundamentals are established can a discussion about recognition criteria and measurement take place. Finally, what can be displayed depends on the decisions made regarding qualities of information, elements and recognition criteria; what should be displayed depends on the objectives of business modelling.
Definition of Business Modelling (BMCF Level 1)

The terms ‘business modelling’ and ‘process modelling’ are often used interchangeably in the information systems literature. However, they serve different purposes. Process modelling depicts how value-creating activities are performed. Business modelling captures and displays the elements of the business that characterise the economic choices that have been made by the entity. Business modelling depicts the essence of the business and gives the user a clear understanding of the business logic underlying the entity’s existence (Gordijn, Akkermans et al. 2000a; Osterwalder, Pigneur et al. 2005).

Business modelling is concerned with providing information that reflects the economic and strategic choices that have been made by the entity. It presents views of the business logic underlying the entity’s existence that meets the needs of users. Three distinct user groups can be identified:

Users Who are External to the Entity

These include business consultants, analysts, members of the legal profession (Osterwalder, Pigneur et al. 2005), researchers and existing and potential investors. Users external to the entity require the business model to assist them in understanding the business concept of the entity. The legal profession requires an understanding of business models to assess patenting requests and disputes. Researchers, consultants, and analysts may want to compare entities, classify entities according to their business model, and track changes in the business models of entities (Eriksson and Penker 2000; Gordijn and Akkermans 2001; Osterwalder, Pigneur et al. 2005). Researchers
will then be able to develop theories of business models that can explain and predict business phenomenon such as profitability, investment, financing, and other behaviour.

Managers and Other Decision Makers

Business managers and decision makers have a diverse range of needs in relation to business models. Managers need a model that promotes the understanding and communication of the business logic of the entity to others within the entity. The business model should support decision-making regarding business developments such as innovation and change management as well as investment, finance, and organisational strategy decision-making. (Osterwalder, Pigneur et al. 2005; Persson and Sterna 2000). Such a business model must depict the value adding processes of the entity, the information technology infrastructure, human and physical resources, organisational structures, and strategies of the entity along with other business elements relevant to the entity.

Information Systems Developers

This group of users is a subset of the managers and other decision-makers. However, they warrant a separate category since their requirements are significantly different from those of business managers. Information systems developers require a detailed depiction of the business that facilitates systems requirements engineering, knowledge management, and workflow and process goal definition (Eriksson and Penker 2000; Osterwalder, Pigneur et al. 2005).

In this sense, the business model serves as a high-level enterprise model from which process models can be developed. Enterprise models explain various business systems, structures, and relationships, map the complexities of the particular business system, and provide a common communication platform between stakeholders. (Persson and Stirna 2000).

Objectives of Business Modelling (BMCF Level 2)

The objective of business modelling is to give users a clear understanding of the business logic underlying the entity’s existence, and the infrastructure required to operationalise the business concept. A decision needs to be made as to whether business modelling is to serve one, or more, potential user groups, or if it should try to serve all of them. The accounting profession decided that it would aim to serve the common needs of all user groups, accepting that they would not be meeting all of the needs of any one group but that it would meet part of the needs of all groups (Henderson, Peirson et al. 1992).

The needs of business model users can be analysed according to two dimensions; the level of abstraction required and the aspect of the view. The level of abstraction refers to the amount of detail conveyed by the business model. A highly abstract business model would provide an overview of the business. A low-level business model would contain detailed information about the elements of the business model and the associations with each other. In general, external users of business models require more abstract models than internal users; information systems developers require more detailed views than business managers.

The aspect dimension refers to the ‘lens’ applied by the user to view the business. The user might be interested in the value creation and exchanges aspect of the business model — as with the e’value ontology (Gordijn and Akkermans 2001). Information systems managers are interested in aspects of the business model that impact on the information technology resources of the entity. A division manager might require a view of the business model that shows the division and its relationship with the rest of the business model both inside and outside the organisation. In considering an e-commerce initiative, management need to model the impact of that initiative on the rest of the organisation.
These business model representations are analogous to a set of architect’s drawings. The owner requires an abstract, overall, view of the proposed building that is then drawn in more detail to become the architect’s plans. From the architect’s plan an array of designers’ plans (including electrical, carpentry, and bricklaying) can be drawn to communicate requirements to the building contractor. Shop plans depict out-of-context component design to be used by the subcontractor to build the component (Zachman 1987). The representations are from different perspectives and different levels of detail.

The objective of business modelling is to provide information useful for understanding and evaluating the business concept(s) of an entity, it should therefore provide only the information required, uncluttered by irrelevant details. It is crucial that the integrity of the models is maintained by ensuring that all views are consistent with each other.

**Fundamentals (BMCF Level 3)**

**Qualitative Characteristics of Business Model Information**

The four principle qualities of financial information used in the FRCF are relevance, reliability, understandability, and comparability (AASB 2004). These qualities are equally important to business model information. For information to be useful, it must be relevant to the user. This quality is closely tied to the objective of business modelling. A business model architecture that permits multiple levels of abstraction, and multiple aspects of the same business concept to be viewed, facilitates relevance of information.

Reliability of information refers to the objectivity, or verifiability, of the information. There is always a trade-off between relevance and reliability (Henderson, Peirson et al. 1992). The relative importance of each determines what information should, and should not, be included in the business model.

Assumptions regarding the capability of the user must be made so that the business model representations are understandable by the user. The extent of technical language used and the format of the model must be suited to the users’ capability (Henderson, Peirson et al. 1992).

Comparability of information between entities, and over time is a qualitative characteristic of business models that makes the representations more useful to users. This can be achieved only once generally accepted principles, and conventions for business modelling, are established.

Determining the qualitative characteristics important to business model users is an area of potential, future research.

**Elements of Business Models**

As evidenced in the introduction to this paper, the existing business model research has produced a plethora of lists of elements and ‘ontologies’ of business models. Close examination of the research reveals that there is considerable overlap in that many elements are common to several of the lists. The nomenclature and the arrangement of the elements vary depending on the researcher’s perspective. Osterwalder et al (Osterwalder, Pigneur et al. 2005) provide a structured analysis of the elements of business models and, drawing on this analysis along with reference to well recognised management literature develop a comprehensive collection of elements which is referred to as the Business Model Ontology.

The conceptual framework provides an alternate approach to identifying business model elements. Rather than deriving an exhaustive list of elements from the literature, the elements can be derived from the conceptual framework itself. The objective of business modelling (BMCF Level 2) and the qualitative characteristics (BMCF Level 3) of the information to be conveyed in the model determine the necessary elements of business models.
In addition, the element that carries ‘primacy of concept’ must be identified. This element serves as a starting point for deducing and inferring other elements and their relationships with each other. Assigning ‘primacy of concept’ is a necessary first step to constructing an abstract conceptual framework. There must be an axiomatic point of reference from which all other concepts are derived.

Every conceptual structure builds on a concept that has primacy. That is simply another way of saying some element must be given meaning before meaning can be attached to others. I contend that assets have that primacy (Gellein 1992 p. 198).

All coherent and cohesive sets of rigorously defined concepts, regardless of the field of knowledge to which they apply, attach primacy to certain concepts. Those are the concepts that are used to define other concepts. Those concepts provide unity and prevent the set of concepts from being internally inconsistent. Those concepts are said to have conceptual primacy (FASAC 2004, p. 3).

In accounting, ‘primacy of concept’ is afforded to assets, thereby focusing on the economic wealth of the entity. All other elements are defined according to how they affect the assets (economic wealth) of the entity (Bullen and Crook 2005; FASAC 2004; Gellein 1992; Storey and Storey 1998). In mathematics, the assumption of the existence of zero is equivalent to assigning conceptual primacy to zero. Nothing else can be defined until zero is defined.

In the interest of developing a coherent and internally consistent conceptual framework, the business model element that commands primacy must be identified. It is proposed that conceptual primacy belongs to the value proposition element. The value proposition represents the object(s) of value the entity offers customers. It is the reason for the entity existing and goes to the heart of the business concept. The value proposition can be a product, a service, or information. It can be simple or complex. It might be a combination of products, services and information.

The primacy of the value proposition stems from the fact that all of the other elements of a business model flow from this element, without which the entity would not exist, or at least, would have no reason to exist. Nothing else in the business model makes sense without reference to the value proposition. Support for primacy of the value proposition is evident in the literature (Afuah and Tucci 2003; Applegate 2001; Bouwman, Haaker et al. 2005; Chesbrough and Rosenbloom 2002; Gordijn, Akkermans et al. 2000; Hamel 2000; Hawkins 2002; Hedman and Kalling 2003; Krueger, Swatman et al. 2003; Osterwalder, Pigneur et al. 2005; Weill and Vitale 2001).

Table 2 presents a set of questions which, when answered, identify, and define, the remaining business model elements.

<table>
<thead>
<tr>
<th>Questions in relation to the entity</th>
<th>Business model element</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is the value proposition?</td>
<td>Value Proposition: product, service, information or combination of these</td>
</tr>
<tr>
<td>To whom is the value proposition offered?</td>
<td>Customer: segment or type</td>
</tr>
<tr>
<td>What is received in return?</td>
<td>Value in Return: such as rent, commission, sales revenue, advertising space, future contracts</td>
</tr>
<tr>
<td>How is the value proposition offered?</td>
<td>Channel: of value transmission</td>
</tr>
<tr>
<td>How is the value proposition created?</td>
<td>Value Adding Process: and related resources, capabilities, activities, strategies and organisational structure</td>
</tr>
<tr>
<td>What other entities contribute to providing the value proposition?</td>
<td>Suppliers and allies</td>
</tr>
</tbody>
</table>
Elements directly identified from the value proposition questions are referred to in this paper as *basic business model elements*. They are:

- **Value Proposition**: The object(s) of value offered to the customer. It can take the form of products, services, information or a combination of each.
- **Customer**: The entity (entities) targeted with the value proposition. It can be a group of consumers or other businesses. Where differences exist in terms of demand or servicing requirements, a new customer group needs to be recognised.
- **Value in Return**: This is what the entity receives in return for the value proposition. It can be money (e.g. in the form of rent, sales revenue, commission) or other non-monetary objects of value (e.g. advertising space or future contracts). The Value in Return can be realised at different points of time.
- **Channel**: The channel describes how the value exchanges take place. It transmits one, or more, of the Value Propositions and the Value in Return. More than one channel can be used to effect a transaction.
- **Value Adding Process**: This element ties together the resources, activities, and capabilities of the entity to create the Value Proposition. It can be a manufacturing process, a retailing operation, or a service process. It describes how the Value Proposition is provided. At the most detailed level the Value Adding Processes can be defined precisely (a process model can be constructed). However, at the external user and management levels, all that will be depicted, are the inputs and outputs of the Value Adding Processes.
- **Supplier**: An entity that provides inputs to the Value Adding Process including inventories, machinery and consumables.
- **Ally**: This term describes other entities in the value domain that assist the entity in providing the Value Proposition to the customer; sometimes by providing the channel and other times allowing the entity to outsource parts of the Value Adding Process (Weill and Vitale 2001). In some instances, the Ally is a regulatory body that plays an important role in the value domain. The Ally can also be a third party that provides the Value in Return to the entity.

The basic elements are adequate for describing a business concept and for comparing business models. However, to understand the requirements of the business, or to evaluate the potential of new business initiatives, including e-business initiatives, more needs to be known about the Value Adding Process element. The Value Adding Process is in fact a compound element that combines the following elements to produce the value proposition and the channel.

- **Resources**: Include information technology hardware and software, intellectual property, financial, physical and human resources and may be provided by suppliers or generated internally.
- **Activity**: An action is undertaken to convert resources into Value Propositions, or to operationalise a channel of transmission using the capabilities of the entity and its allies.
- **Capabilities**: Are the expertise required by the entity to perform the activities. They are provided by resources (both human and other). Capabilities can be provided by an ally.
- **Strategies**: These relate to all parts of the entity both at the Value Proposition level and the overall entity level. Decisions relating to the nature of the Value Adding Processes, how activities will be performed, and by whom, are dealt with by this element.
- **Organisation structure**: Like strategies, the organisation structure impacts at an entity and a Value Adding Process level. It is both deterministic and consequential of the Value Adding Processes.

Together these elements explain how the business is configured to create the Value Proposition.

**Operationals (BMCF Level 4)**

The operational aspects of the business model refer to the rules and conventions that dictate when and how to recognise business model elements and how to measure them. Significant contributions to these operational aspects have been made by Osterwalder et al (2005) and
Gordijn and Akkermans (2001). They propose the detailed attributes of the elements within their ontologies providing a starting point for future debate and potential consensus. Without some level of agreement on the recognition, and measurement rules of business model elements, comparison between business models will be problematic.

Further research on this level of the conceptual framework is required once the definitions, objectives and fundamentals have been agreed.

**Business Model Representations (BMCF Level 5)**

In the interests of understandability and comparison, standard business model representations need to be established. Since the *Value Proposition* is deemed to have ‘conceptual primacy’, it follows that a representation of the *Value Proposition* and its direct associations with the other elements would be useful to users. Together, these elements constitute the *Basic Business Model* (Figure 2) that depicts the business logic of the organisation.

![Figure 2: The Basic Business Model](image)

The *Basic Business Model* which is consistent with what Gordijn refers to as the *Value Viewpoint*, focuses on the ‘economic value object creation, distribution and consumption’ (Gordijn 2002 p.33) although, unlike the *Value Viewpoint*, the *Basic Business Model* does depict the *Value Adding Process* in its most abstract form. The *Basic Business Model* describes how the entity relates to all of the other entities in the value domain, the value exchanges between those entities and in a broad sense, the processes that create the value.

A second representation, the *Comprehensive Business Model* is illustrated in Figure 3. The *Comprehensive Business Model*, similar to what Gordijn (2002) refers to as the *Process Viewpoint*, depicts the components of the *Value Proposition* and the *Value Adding Processes*. This view is referred to as the *Comprehensive Business Model*.

The abstract view encapsulates the details and intricacies of the elements. Each element of the *Comprehensive Business Model* can be interrogated to various levels of detail. Users can then
focus on particular facets of the business model, such as the Value Adding Processes, or the resource implications of each communication Channel or Value Proposition.

In both the Basic and Comprehensive Business Models the connecting lines between elements do not show direction because the relationships are bidirectional. For instance, the relationship between the Value Adding Process and Resources can be explained as:

The Value Adding Process requires certain Resources;

or,

The Resources at the disposal of the entity will determine the Value Adding Process.

The elements of strategies and organisation structure are shown as sub-elements of the Value Adding Processes; although they need to be considered at both an entity level, and at a value proposition level. The exact nature of these elements and the possibility for additional elements is not explored further in this paper but is the subject of future research that draws from the existing literature cited throughout this paper. and extensive consideration once the foundations of the business model are agreed and are areas for future research

![Diagram of the Basic and Comprehensive Business Models]

**Figure 3:** The Basic and Comprehensive Business Models

**Summary**

This paper proposes the foundations of a BMCF built on a hierarchy of concepts. It has been argued that a conceptual framework will provide a basis for business model theory development by providing a structure from which researchers can debate, recognise points of agreement and disagreement, identify potential points of integration or linkage along with areas of future research. The long-standing and widely accepted FRCF that has been the basis of accounting theory development for decades has been used as a guide for the BMCF. Both financial accounting and business modelling serve multiple users with wide ranging needs and both disciplines provide information about economic entities to assist in decision-making.

The areas for future research that have been identified in this paper are,

- determine the necessary qualitative characteristics of business model elements
- establish bases of recognition and measurement of business model elements
• develop and refine of the *Basic and Comprehensive Business Models* and to more adequately incorporate entity wide business model elements such as organisation structure and strategies.

• map existing ontologies and models onto the BMCF to identify commonality and differences.

If the business model is to become an enduring and valued source of information for decision-making, each level of the BMCF requires debate regarding its relevance, and then incremental development to increase its usefulness.

This paper has proposed a framework for future research. A structured approach to identifying and defining business model elements, based on conceptual primacy of the *value proposition*, has been developed. All of the elements, and the conceptual framework itself, require ongoing debate and testing.

**References**


