Introduction

Business model (BM) is a buzz term, that is, a term whose usage has spread widely and quickly. But its meaning is still vague and leads to a number of questions concerning its limits, meaning and lifespan:

- How is a BM different from previously tested concepts?
- What is the difference between a BM and a business plan?
- Where does a BM fit into entrepreneurship and strategy?
- How can an entrepreneur use a BM to develop a business?
- How can an entrepreneur translate a BM into tools?
- Is using BM just a fashion, or does it have a bright future?

All these questions assess the operability of the BM (its potential to be useful) and its operationalization (its implementation).

This book is an original approach on BM and entrepreneurship. It integrates theory with practice. Consequently, the reader is asked to consider some theory, which might serve as a foundation for understanding the practical proposals set out here. Conversely, however, being interested in theory is not enough to understand the pedagogical and practical thrust of the answers given by this book.

Initially, the readers of this book will undoubtedly be composed of researchers and teachers enquiring into this concept, as it is used by practitioners.

Management coaches, often interested in the most recent developments of management research, will have no difficulty moving between the theory and practice set out in this book. They will consider the concepts posed here in light of their own practices, not expecting that the proposals in this book will replace what they do, but rather wanting to position the BM somewhere within the process of developing a business. For example, strategy advisers, including experts on the leaders of small and medium enterprises (SMEs), will discover that using a BM with their clients will allow them once again to provide value, by thinking about what constitutes the core of their company's activity.

Students of higher education who are interested in entrepreneurship will find guidance in this book for developing a new business. Their instructors will draw teaching content from it and examples for initiating and training programmes in entrepreneurship.

Finally, curious entrepreneurs will read this book not to seek immediate solutions to a problem but to reflect on the topics addressed here which show that the BM is not just a fashion but is highly useful.

Such an assertion in the introduction of this book may seem premature. After all, many company founders started their ventures without using a BM, and they succeeded. But they now need to become familiar with the concept because other actors within their environment such as bankers or business angels are using it.

The concept of a BM first appeared over half a century ago in a business game (Bellman et al., 1957) which mathematically modelled the revenue sources of a business opportunity (Desmarteau and Saives, 2008). The concept spread impressively with the start-up phenomenon, that is, with the appearance of business ideas aimed at commercially exploiting the internet. Because companies had no previous experience in the internet sector, entrepreneurs needed to deploy extra effort to speculate on the future and make their business understandable, in particular by financiers who were certainly in search of good deals, but who were less tolerant with ambiguity than a convinced entrepreneur.

When the human mind does not understand an object, a situation or a phenomenon, it often turns to a visual representation in an effort to clarify it – a drawing or a mathematical formula, for example. In other words, we use an image or a diagram as a *model* that offers clarity. The model is also needed so that clients understand what we are proposing to them. For example, a financier will understand a mathematical modelling of markets that would normally be inaccessible to other stakeholders.

A company founder who wants to make his business attractive to those whom he wishes to convince to join him must use language that is accessible to others and synthesize it in a working model. This enables them to ‘see’ his project and where it can go, to a certain extent, even though the organization has yet to be legally set up. When the internet began, modelling was explicitly required because few people understood how to create businesses in that market. These businesses had to be made comprehensible, so creating a BM was a question of good sense.

Starting up a new company is never easy because so many factors have to be considered. For example, having devoted considerable time to a project, how can an entrepreneur explain it clearly to an investor when he may have only a few minutes to do so, during an initial meeting? The entrepreneur has to convince the investor of the potential of the project so that she will invest in it.

But first the entrepreneur himself must believe that the project is viable. This will help him to be more convincing. The essential resources for the project are his creativity, energy, motivation, competence in the area, and his network. He

will probably also need an office, a patent, a reputation, an employee, financing, and so on. It is likely that he does not possess the diversity of resources he needs to launch the business, so his job is to convince those who do have these resources to share them with him. The task for the entrepreneur, then, is to develop a BM that promotes his idea. But what is the correct model for him to use, which can be understood by all his stakeholders? This book offers the following proposal: the BM is a convention related to the generation of value, its remuneration and the sharing of this remuneration – hence, the generation, remuneration and sharing (GRS) model.

We call it a convention because the success of a business rests on a collective agreement between all partners to accept the BM that the entrepreneur proposes. This convention is strongly linked to the concept of value because these partners want something in return for what they have brought to this endeavour, and the more that the project offers them, the stronger their desire to join it becomes. In other words, the value introduced by the project is relative to the market to which it is delivered and also to each of the partners with whom a relationship of exchange is established. It is necessary to take into account the value of the project itself and what will be created from it – generally a business. If the shareholders investing in the project are interested from the start, then the ones responsible for financing it will increase in number: according to Hirigoyen and Caby (1998; see also Caby and Hirigoyen, 2005), history leads us to a partnership vision of value. With these authors, we consider from the outset that value creation is a sound business goal. We agree to consider that value cannot be reduced to profit maximization but must be considered in terms of stakeholder value. Finally we adhere to their partnership vision of the firm, that is, that all the stakeholders of a business must be considered. In the context of founding a company, this becomes obvious because an entrepreneur needs to satisfy the holders of resources in order to launch his business and to make it last.

Indeed, as the company grows, stakeholders must accept the strategy set out in the BM, which gives the organization its identity and its legitimacy. Without those foundation stones, the expected performance is just an illusion (Martinet, 1984). The convention relates to the value that is exchanged. We first consider the economic value. But Comte-Sponville (1998; see also Comte-Sponville, 1994) raised the multiple meanings of the term *value*. In addition to its economic meaning, *value* can be regarded as an object of desire (ethical value), the object of a tendency or an action (the teleological value of a pursued goal), an object of reference (the standard assumption), or an object of knowledge or contemplation (in a metaphysical meaning). The author raises questions understood by the manager: how to exchange or trade what nobody wants? What would be the value of a standard, a rule or a goal that left us indifferent? He considers value as being correlated with desire, and this evokes

a key question at the core of a bigger problem: does desire create value, or does value create desire? Each speciality of management sciences (finance, strategy, management of human resources, and so on) tried to counter those questions during the management conference inaugurated by Comte-Sponville. According to Bréchet and Desreumaux (1998), the concept of value appeared both omnipresent and split. Entrepreneurship is neglected in the synthesis of the various conceptions of value these authors propose, but it is nevertheless the genesis of what later leads economic actors to practise exchanges among themselves. Value, in this book, means partnership. Company founders understand that their partners' expectations are varied and are not always of a financial return. For example, a public investor who brings assistance to a company is counting on job creation. Conceiving a BM implies integrating a network of partners whose desires are many, and sometimes contradictory. The reasons behind the emergence of entrepreneurial phenomena are themselves multiple; the BM also proves relevant to projects concerned with social economy, such as culture, art and sport.

Although this book seeks to be concise, we must consider some fundamental theories. Our research team cannot neglect the practical considerations entrepreneurs have while developing their projects. Our theories provide some distance from the exigencies of daily life, which often encroach too much on the time we need to reflect. Nevertheless, entrepreneurs must deal with both imaginative and practical considerations. Our objective in this book is to offer entrepreneurs a framework to overstep the situations they face in the development of their businesses. The BM allows a permanent connection between strategy and operations, and between theory and practice, as the various protocols deployed by our research team show. Thus, in the same book, we use reflections based on tested theories and practical advice. This book does not result from speculation, but from a durable involvement with entrepreneurs and from experiments combining theory and practice. Because this book stems from more than a decade of research in the field of entrepreneurship, we consider it useful to refer to our own work.

Some parts of this book present our efforts to conceptualize, and others translate this effort into tools. If some of our progress is anchored in theories that are used to conceptualize to aid reflection, we have translated them into the practical questions necessary to conceive a BM. Among the researches demonstrating the relevance of our design, one of us defended a thesis in management sciences, and the other directed it. This thesis met two goals: to consolidate some ideas and to present the BM as a tool for action as well. The thesis provides a more comprehensive review of the literature on the BM. Readers who are interested in the details should consult it. The operational dimension of this work is not forgotten thanks to the protocol of action research which was deployed (see Exhibit 1).

EXHIBIT 1: A DOCTORAL THESIS WITH A PROTOCOL OF ACTION RESEARCH

The topic for Jouison's (2008) thesis for a doctorate in management sciences was the operationality of the BM. She demonstrated this operationality thanks to the implantation of a methodological protocol of action research. Her qualitative and participative method sought to solve concrete problems for organizations and, at the same time, produce practical and theoretical knowledge. The method was used primarily with existing companies, so its application to entrepreneurial ventures requires some adjustment.

The cases explored in the thesis examined seven entrepreneurs who were followed over four to seven months. The variety of cases was one of the selection criteria of the entrepreneurs to show that the BM was operational in the context of all newly established firms, regardless of the nature of the projects and the profile of their instigators. The meetings with the entrepreneurs, each lasting about three hours, started with a discussion about the progress of the project. During the first meeting, the researcher gained understanding of the initial trajectory of the entrepreneurs, and during the following meetings she learned how the project was evolving. The thesis contributed to the development of the tools presented in Chapter 3. It was combined with a teaching practice which differs from the coaching practice of an adviser (which leads to the two sections of Chapter 3, respectively: pedagogy and practice).

The concept of BM proved operational for new firms. It proved relevant to reading/understanding the process of developing a new venture, as well as providing guidance for dealing with concrete problems that the entrepreneurs encountered, and enabling the entrepreneur to adapt the concept and perceive its relevance. This last point helped us realize how to transfer knowledge acquired, on the one hand, about the BM itself and, on the other hand, on ways of using it with entrepreneurs. In our teaching practices, the central place given to the BM at the core of our entrepreneurship training programmes needed to be consolidated by heavy and rigorous work, such as that required for a doctoral thesis. If the BM proves operational as a concept, it is, however, not yet operationalized as an instrument. Operationalization is a matter of technology transfer and takes place after the academic thesis.

The general idea guiding us in both theory and practice could be considered as a pleonasm: companies must act! Nevertheless, it is not uncommon to find companies that have so many rules and routines in place that employees seem to have lost the ability, and even the desire, to be creative and take initiative. Certainly companies need to set out ways of working, but they have to be careful not to stifle entrepreneurial creativity, which can put the company's future, and even its existence, in jeopardy (Desreumaux, 1993).

Most organizational leaders remain entrepreneurs both by choice and by obligation. Consequently, the internationalization of markets is often raised as a reason for companies to act as entrepreneurs. Frontiers disappear, technologies spread more quickly, in particular because information becomes more accessible. In consequence, opportunities to act as entrepreneurs increase. This is the case both for large multinational companies, and small companies with early and fast internationalization (Servantie, 2007).

Innovation, however, is both an opportunity and a threat. Not always radical in its nature, innovation satisfies consumers' expectations that are constantly being created or renewed.

A start-up company's founders seek to take a lead in a market with their product. Some want to develop something entirely new, while others want to improve a product already on the market. Some are seeking a livelihood; others want to develop a company that will be highly profitable and make them rich. Clearly the objectives for new companies differ, and they depend on what the founders are seeking and the contexts in which the business is launched. The size, age or ambitions of a company do not spare it from the need to reflect on how to develop the business and gain a competitive advantage. The marriage of entrepreneurship and strategy, in what could be called entrepreneurial strategies, starts with the impulsion of an organization to imagine and control its development. If it is not a matter of always conquering new markets, it can be a question of maintaining a position that is in danger of losing market share. Our book addresses a number of topics, but its main thrust is entrepreneurship and how the theory of the BM and its application works in this context.

The concept of entrepreneurship covers a wide swathe of social, political and economic areas. The terrain examined in our book is management, which we view as praxeologic, that is, focused on the study of human action. For example, in a praxeological approach, the Austrian school of economics regards individuals as using heuristics (of their creativity, their experiment, their judgement) to take identifiable actions that seem to them to be the best option. The Austrian school thus sees entrepreneurs as actors in the economy who deal with constraints framing their choices which can lead (or not) to a successful result. In management science, the praxeologic goal is more ethical (within a utilitarian meaning of the term, that is, integrating the return to the City State¹), in the sense that it plays a larger part in decision making

about the organization's foundation, governance and control. The researcher in management sciences is therefore also developing tools to help entrepreneurs to achieve their goals. This objective often needs to be conceptualized in order to understand the situations studied. In a sense, when the management sciences researcher applies theory to management situations, she is applying the concepts she is building. To do so, the researcher uses theories specific to him, along with models provided by the social sciences.

Entrepreneurship is also a topic of study in higher education. It is obviously not necessary to have a degree to found a company, for example. But it is not unreasonable to imagine the opposite: that the longer these studies take, the less often students, who are being trained to occupy specialized functions, will turn to entrepreneurial activities. But conversely, one would be wrong to overlook students: they often have exciting and novel ideas, and their enthusiastic energy can compensate for their lack of experience. They are often eager to take new initiatives and carry out related projects. Employers who are seeking to be entrepreneurial would do well to take their ideas to students as candidates for recruitment into their business. The degree programmes also aim to identify students' entrepreneurial potential and to show students that being an entrepreneur is a possible career, to pursue on their own or on behalf of the organization that employs them. These students may also pursue an education in entrepreneurship. In all cases, the topics covered in this book are important to them.

Entrepreneurship is a field of research increasingly explored by French-speaking researchers. But in the French context, it is not yet regarded as a recognized scientific discipline (Verstraete, 2008). Admittedly, before becoming a discipline, any new field must legitimate itself. Practitioners must conduct research to present at conferences; they must publish, and pursue a doctorate. Their work must also be recognized internationally and given social recognition. In France, institutional disciplines are under the purview of the University National Council (CNU). The CNU is mainly responsible for the management of university researchers' careers, in particular by the evaluation of their scientific activity². Each discipline is referred to by a section number. For example, management sciences are in section 06, section 05 corresponds to the economic sciences, and section 02 to public law. All researchers are attached to a section. Entrepreneurship, however, is not a section at the CNU and thus is not a subject in the institutional meaning of the term. Nevertheless, as a field of research, entrepreneurship is characterized by published work, congresses, a community of researchers and academic work at a doctoral level.

Research, practice and teaching are closely dependent on each other. Lessons arise from the practice of entrepreneurial individuals that the researcher wants to learn, so he will seek to understand their thoughts and actions in context to then represent the knowledge he has acquired in pedagogy. To be described

as science, research must subscribe to protocols that are recognized by its community of practitioners. These begin with a problem that requires rigorous intellectual work, typically stemming from existing literature that has treated an identical or similar problem. The researcher then looks at one or several generic theories (for example, agency theory) of a model (for example, Shapero's model) that he or she considers relevant. The researcher settles on a question that is both characteristic of the problem and highlighted by existing work. The operational framework that he deploys sets out the parameters of the work: it determines how the researcher will access the field, what tools he will use for data gathering (for example, questionnaire, interview, observation) and what type of analysis he will conduct (analysis of the content, for example, or statistical processing). The researcher's expertise then enables a reasoned interpretation of the problem and proposes an answer to his question. The work is eventually communicated to others and published, so as to show the contribution that the new knowledge makes to the field and to enter into dialogue with the community of the researchers and, to a lesser extent, with experts and students. Obviously, the process is more iterative than linear, and its logic depends on the nature of the enquiry (for example, deductive or inductive reasoning). Without truly defining the theory, the stages just summarized led us to combine practice, research and teaching around the concept of the BM that we present in this book. This book does not purport to offer a truth; rather, it makes a proposal.

This book is divided into two parts, each with two chapters. Part I proposes the generation, remuneration and sharing model. Chapter 1 starts with practical considerations related to the development of a project, and questions the role that the BM can play and the place that it must take. This place proves to be central, and its recognition has led to a more theoretical reflection concerning, to some extent, the modelling of the model. Chapter 2 presents the theoretical bases and the construction of the GRS model.

Part II examines how we use the concept within teaching, practical and theoretical frameworks. In other words, it looks at how to make use of this model to coach entrepreneurs and implement training programmes in entrepreneurship. Chapter 3 looks at our experiments in these fields. As researchers, we also address a fundamental question: isn't it possible to serve the practice of research itself by understanding what the BM can bring to a theory of entrepreneurship? The praxeologic aim of our research does not dismiss us from a fundamental reflection likely to serve subsequent efforts by helping researchers frame their reflection in a paradigm that leads to new knowledge. The final chapter presents how the BM contributes to a theory of entrepreneurship³.

Our framework of analysis needs to be explicitly integrated into the strategic considerations that are inherent in the development of a project. The conclusion thus opens the way to advanced researches in strategy. For example, the field of

finance is challenged by some questions, already asked by colleagues, about the value/price of a BM and the principles of its evaluation (Barneto, 2008).

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NOTES

- 1 The City State refers here to its antique philosophical meaning (see Plato).
- 2 It may be necessary to update this proposition following the reform of the university and research institutions, a very topical debate in France.
- 3 A special theoretical effort was made and published in Verstraete and Jouison-Laffitte (2010).