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# A visual perspective on value creation: Exploring patterns in business model diagrams

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## ABSTRACT

This study was inspired by the diversity of styles found in the way companies represent their business model visually. Through the visual analysis of how 242 business model diagrams collected from websites and annual reports represent transformation of value, this study identifies a typology of four basic patterns of business model visualization. The typology adds to previous visualization research by proposing two new types of transformational diagram formats, namely transactive and cyclical structures. It is further argued that the typology can be used as a framework for researchers to describe, evaluate and compare the underlying logics of value creation in business model conceptualizations, and for practitioners to generate different business model designs by drawing on the benefits of visualization, such as a more holistic understanding of ideas, better buy-in and improved group communication.

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## 1. Introduction

This research was inspired by the observation that many firms visualize their business models in diagrams, and, additionally, that the business model interpretations as expressed in these diagrams are diverse across companies, and different from diagrams used in the business model literature (e.g. the business model canvas). This observation contradicts previous studies stating that practitioner and researcher business model discourses largely focus on the same themes (see [George & Bock, 2011](#)), albeit on different levels ([Jensen, 2013](#)), and instead suggests that firms differ substantially in what they visualize, but collectively visualize a wide range of topics in their business model diagrams.

The business model has been proposed to be the story of how the enterprise works ([Magretta, 2002](#)), a description of how a company creates value ([Teece, 2010](#)), and the set of decisions that operationalize the strategy ([Casadesus-Masanell & Ricart 2010](#)). Previous research has recognized the role of business models as communication devices, for instance as 'boundary objects' that facilitate discussions between new ventures and their investors ([Doganova & Eyquem-Renault, 2009](#)) as well as internally between organization members ([Eriksson, 2017](#)), and as a topic described in firms' annual reports ([Bini, Dainelli, & Giunta, 2016](#); [Page & Spira,](#)

[2016](#)). This implies that business models are important as storytelling devices with practical applications for communicating about firms.

However, communication about business models can be difficult. For instance, in a study that let financial analysts interpret a pharmaceutical company's business model, [Nielsen and Bukh \(2011\)](#) found that the analysts had trouble explicating what that firm's business model was, or what was meant by 'business model' in general terms. The researchers learned that using the term 'business model' could even act as a hurdle in terms of getting the interviewees to talk about value creation, which shows that understanding of the business model is hampered by unsuccessful descriptions.

It has been suggested that from a reporting perspective, a way to improve understanding of business models can be to use visual means such as graphs and diagrams ([FRC, 2014](#)). Since the visual can reconcile high-level and detailed ideas at the same time ([Tufte, 1990](#)), lead to better understanding of problems ([Larkin & Simon, 1987](#)), and support group discussions in organizations ([Sibbet, 2008](#)), visual representations have the potential to improve communication about organizational matters. However, being able to design, use, and interact with diagrams requires an understanding of how visuals work and how visuals communicate. [Sibbet \(2008\)](#) uses the term 'visual literacy' to describe the skillset necessary in order to communicate in an increasingly visual society (see e.g. [Baudrillard, 1983](#); [Davison, 2015](#)). Visual literacy for

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business model diagrams can prove especially useful as the lack of agreement on the business model has been widely recognized, e.g. that there is a lack of agreement among researchers and practitioners about what business models are (George & Bock, 2011), what they are used for (Massa, Tucci, & Afuah, 2017; Zott, Amit, & Massa, 2011) and how they could be classified empirically and conceptually (Lambert, 2015; Massa & Tucci, 2014; Osterwalder, Pigneur, & Tucci, 2005).

In this paper, I propose that visual literacy for business models can be a way to infuse new ways of conceptualizing into the business model literature, and a way to improve business modelling for researchers and practitioners. I draw on multiple fields to develop a terminology of business model diagrams that I then apply to existing business model diagrams to show how the terminology can be used to describe the value creation logics of business models, to share ideas about current and alternative future designs of business models. As opposed to most of business model research to date which adopts a theoretical starting point (Wirtz, Pistoia, Ullrich, & Göttel, 2016), this study also offers an alternate perspective on business models by focusing on how practitioners view the business model, a question which is currently underdeveloped in the business model literature (Eriksson, 2017). More specifically, this study benefits from the visual—holistic, shareable, and complex messages (Bell & Davison, 2013; Davison, 2015; Kress & van Leeuwen, 2006; Tversky, 1997, pp. 116–124)—to investigate how firms communicate about their business model through diagrams, and what kind of patterns can be found in their use.

The rest of the paper is structured as follows. Section 2 introduces the visual theories that guide the classification of business model diagrams, including an example of visual diagram analysis using the terminology. The methodology is described in Section 3, where I provide an overview of the research method, materials and analysis procedure. The results section is divided into two parts; one part where I show and discuss examples of different

visualization logics, and one part where I show and compare patterns across the different logics based on a sample of business model diagrams. This is followed by a discussion of the implications and possible benefits of a visual perspective on business models. Finally, the conclusion section summarizes the findings, and contains suggestions for further research.

## 2. A visual framework for diagram analysis

This section demonstrates the terminology for analyzing how diagrams are used. As an example, consider Fig. 1 below, which shows the business model diagram published by the Swedish real estate company Fabege on their website. The diagram is the visual representation of the officially communicated view of the firm's business model, and is published under the "About us" headline of the company's website, and shows the business model as a cycle of activities by utilizing the diagram space to link the activities (Property management, Property development and Transactions) by using arrows arranged as a circle. This highlights that the activities follow each other in a sequential fashion. This supplements the verbal descriptions that follows the diagram, which presents each business area separately using headings and a short description. The diagram thus conveys additional information about the elements' inter-relationships, information which was not obvious in the written text. This is achieved by following the conventions of visual representation that allow the text's sequential reading order to be translated into a two-dimensional diagram where placement matters for the perception of the elements' relationships.

The example indicates how diagrams communicate, namely how metaphors, symbols, and spatial linking help to convey a message that augments the text. For this to be possible, a translation from the concept into a concrete visual format is necessary. To explain this process, the terms referent and representation are often used. The way the representation relates to the referent



Fig. 1. Fabege's business model diagram, from [fabege.se/en/about-fabege/this-is-fabege/business-model](http://fabege.se/en/about-fabege/this-is-fabege/business-model), accessed 4 september 2017. Used with permission.

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