



Stanford eCorner

Talking About Business Models

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Author and entrepreneur Alexander Osterwalder explains the challenge in defining and discussing business models around the world. Osterwalder also describes his journey from academia to application in building a shared, visual language for articulating and testing business models.



Transcript

First, we are going to talk about the concept and I'm going to talk about business models, but the question is, hey, what is a business model? What is a business model? I ask this question everywhere in the world, Brazil, Singapore, wherever I go and guess what the answer is? Well, probably as many answers as people in the room, it's like having a set of very many different languages, it's a word we all use quite a lot. Who's never ever used the word business model in this room? Okay, you'd probably be the fourth person in an audience that I talked to. So nobody, right? You all use the word business model, so you should know what it means. But actually it turns out that everybody has a quite a different mental model that we use the same word, but some talk about strategy, some talk about channels, some talk about profit, product, technology, process, and what would be more interesting is if we would have a better discussion about what the business model is, okay? So, if you watch a team talk about business models, say we need to find a business model for our product or you know, an existing company might say we need to reinvent our business model. This is how the discussion is going to look. So, it is going to talk, blah, blah, blah. What? Blah, blah, blah. What? So, smart people in the same room using a lot of words but not understanding each other and this phenomena is called blah blah blah, okay? It's a great book that came out by Dan Roam, you might have heard of Dan Roam who wrote, *The Back of the Napkin*, his last book in September, it came out, it's called *Blah, Blah, Blah: What to Do When Words Don't Work*. So, I think when it comes to business models, words are not enough. We need to be able to, have a shared language, but a visual language that allows us to sketch out business models because when we sketch them out, when we map them out, that's when our discussion becomes clear, okay? That's really important.

So, when I started out with this topic that was what I wanted to figure out. How would a language look like a shared visual language to talk about business models? And I started a PhD on the topic and I got a PhD for this title here "The Business Model Ontology" - a proposition into design science approach. I know here some people laughing, right? Because you know that to get a PhD, you need to use words like ontology, right? Then you get a PhD, it's as simple as that, okay? Now, the funny thing is I put this online and people started reading it. They downloaded it. They used it in companies, which means okay, there is something there that people really think is interesting.