Gaining Business Model Clarity... Using the Business Model Canvas

A 'crunch' session

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Business Model Innovation

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Illustrative purposes only of offering workshop stimulus. (original decks was 200+)

Gaining Business Model Clarity... Through the Use of the BM Canvas in Larger Organizations

Larger business organizations have been slow at adopting the Business Model Canvas for designing and driving their innovation activity. Why Is This? Some opening thoughts.....

Perhaps there is no safe space for Business model and innovation for experimentation? ...and survive!

Unless it is endorsed, it faces numerous barriers.

Many large companies are complex, multi-brand and multi-country.

Often resources are not commonly shared -a more pragmatic start is at the level of the business unit and then supplement this with higher-level modelling.

Is it because larger organization take longer to arrive at a new turning point?

Are we too engrained in last generation strategy tools? Do executives default back to what they know and were taught in Business School?

Then we need to firstly get comfortable before we lift the bar and shift existing goalposts.

The beauty of the BMC is it's simplicity to describe the foundations and the interconnected parts, to draw out hidden opportunities and unleash imaginative ideas. Equally they do take time, engagement and investment to get right.

"Business model innovation is about new ways of creating, delivering and capturing value."

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Gaining Business Model Clarity The Use of the BM Canvas – we need to briefly cover:



- Part 1 The "What" of BM Canvas? Gaining alignment and orientation
- Part 2 The "Why" is the value for you? A focal point for making money
- Part 3 The "Where" can it help? It's increasing value for different situations

Session Two-moves into the other three.

- Part 4 The "How" do I use it? It compliments, it challenges, it explains- fast!
- Part 5 The "When" in its fit in what we do? It uncovers new potential to explore
- Part 6 The "Who" clarifies those to be signed up? Business models are critical to everyone

"I KEEP six honest serving-men
(They taught me all I knew);
Their names are What and Why and When
And How and Where and Who.
I send them over land and sea,
I send them east and west;
But after they have worked for me,
I give them all a rest".- Rudyard Kipling





So in this first Webinar we will:

- ✓ Explain the position the Business Model Canvas can play for innovation and future business growth.
- ✓ You will gain an introduction to a powerful visual model to use constantly in multiple situations that trigger valuable strategic conversations.
- ✓ Appreciate that describing your Business Model onto one page focuses everyone onto the 'real' value generation points for consensus quickly and where to focus their energy and time.
- ✓ Recognize that the BM Canvas offers your organization a way to structure ongoing conversations often within very fluid markets, to spot changes and trigger action to meet these.
- √ To quickly gather around as your Business Model (working) Canvas

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Gaining Business Model Clarity The Use of the BM Canvas –

Part TWO....



Session One in December covered

Part 1 – The "What" of BM Canvas? Gaining alignment and orientation

Part 2 – The "Why" is the value for you? A focal point for making money

Part 3 – The "Where" can it help? It's increasing value for different situations

we need to briefly cover today in this one hour session:

Part Two- today- providing answers to the following:

Part 4 – The "How" do I use it? It compliments, it challenges, it explains- fast!

Part 5 – The "When" - its fit in what we do? It uncovers new potential to explore

Part 6 – The "Who" clarifies aligning & signing up? Business models are critical to everyone





So in this second (of two) Webinars we will:

- ✓ The first session explained the position the Business Model Canvas can play for innovation and future business growth- we introduced the components, the structures and provided some opening thinking .
- Following that introduction session on explaining what makes up the BMC as such a powerful visual model, the aim here in **session two, is to 'trigger' valuable thinking and to explore this further** for your organization, with the aim of moving you towards a deeper understanding and adoption consideration.
- ✓ Do appreciate that describing your Business Model onto **one page really does focus everyone onto the 'real' value generation points** for consensus and where to focus their energy and time. It has real converging power.
- ✓ You will achieve here a clearer understanding of how the BM Canvas can offer your organization **a way to structure ongoing conversations**, often within very fluid and challenging markets, to spot changes and trigger action.
- ✓ BMC helps provide ways to meet these business shifts that we are all facing through the effective use of this business model canvas approach so you are equally **able to read, react and respond** to these changes with new and hopefully better Business Models.

Always avoid Poop

You can avoid the PooP- simply don't tread there without knowing. So why do I use this acronym?
☐ Pitfalls -reliance on often outdated Business Plans in fast moving times.
□ Obstacles -a lack of being able to articulate clearly your business model.
□Opportunities -extend understanding through BM Canvas variety of uses and applications
□Potential to explore BM options in quick, imaginative and different ways

Business Modelling is the art of consistent practice. Walk before you run!

Let me raise 4 questions to you:





A common language? Clear Model? Business Plan fit? Keep pace with the changes occurring?

How do you communicate to others about the business? To quickly understand and relate? The Important Components.

How do you set about implementing your business model? Connect all on the same page. What to consider? Lacking comprehensive oversight?

ANALYSIS DEVELOP

INNOVATE

INNOVATE

OFFRESH

How do we set about to change a business? 'reinventing the wheel' or more structured and revolutionary to drive thinking and the design of the business?

Firstly we cover the What, Why & Where in the following few slides:

The "What" of BM Canvas? Getting our alignment and orientation on the same page, what is it, what does it mean?

The "Why" has this value for you? A focal point for making money. The real purpose is to meet different challenges and 'quantify and qualify' them in a more volatile, often disrupting world.

The "Where" can it help you? It's increasing value for different situations. Offering a standard template to designing and articulating winning business propositions

Business Model Design

Today every business organization from a start-up to the largest company uses the words "business model."

Some use it with certainty like they know what it means. Others use it with an implied question mark realizing they don't have a clue to its components.

- •<u>Alexander Osterwalder</u> and <u>Yves Pigneur</u> writers of Business Model Generation defined a business model as how an organization creates, delivers, and captures value.
- •More importantly they showed how any company's business model could be defined in 9 boxes.

It's an amazing and powerful tool. It instantly creates a shared visual language while defining a business.

It is a terrific visual, design thinking business model tool.



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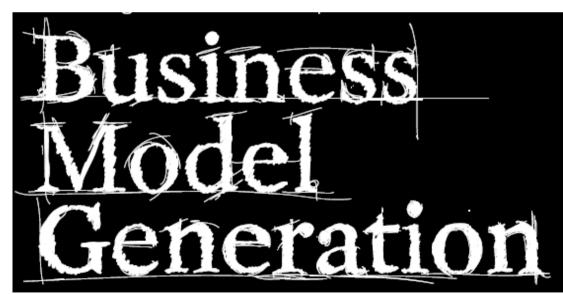
What's a Business Model?

A business model describes all the parts of the company necessary to make money

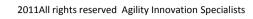
Def_Business Model

A business model describes the rationale of how an organization creates, delivers, and captures value

The leading book and for me the leading authority on this



Alex Osterwalder, PhD





how do we describe our business



without a common language



how we implement our business?



outdated methods?



It does seem companies have a fairly predictable life cycle:

- 1. They start with an innovation, search for a repeatable business model, build the infrastructure, then grow by efficiently executing the model.
- 2. Over time, innovations outside the company (demographic, cultural, new technologies, etc.) outpace an existing company's business model.
- 3. The seeds of destruction kick in. The company loses customers, then revenues and profits decline, eventually gets acquired or goes out of business.

Recognizing the symptoms calls for reviewing the existing Business Model constantly and questioning all aspects of the worth and value.



Business model innovation is one of the most challenging components of 21st century leadership.



- •Making incremental improvements to your business model—is hard enough.
- •Developing and experimenting with new business models that truly transform how your company is exceptionally difficult.
- •To compete in a world where the "shelf life" of business models is shortening, leaders need the tools, skills, and experience to implement new business models. The BM Canvas is one of these growing highly valuable approaches.

Moreover, successful organizations <u>need</u> ongoing methods to explore new models for delivering value— even those that are disruptive to current operations.

BMI keeps organizations alert and ready to go further when needed.

those who can't adapt



quote from Charles Darwin:

"It's not the strongest of the species that survive, nor the most intelligent, but the one that is most responsive to change"

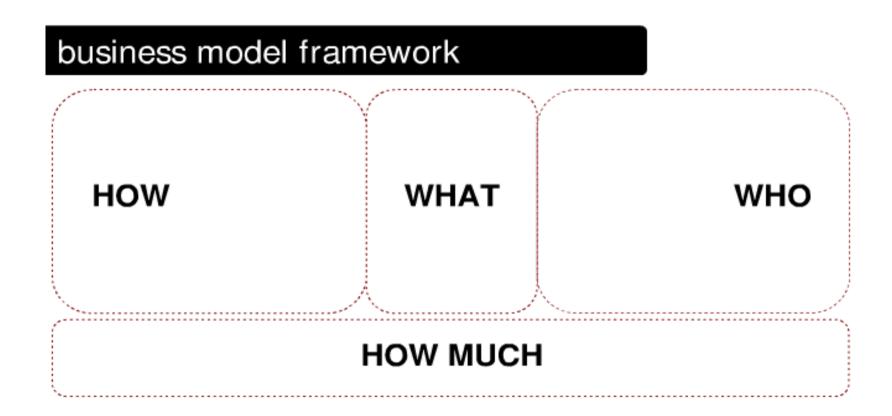
disappear



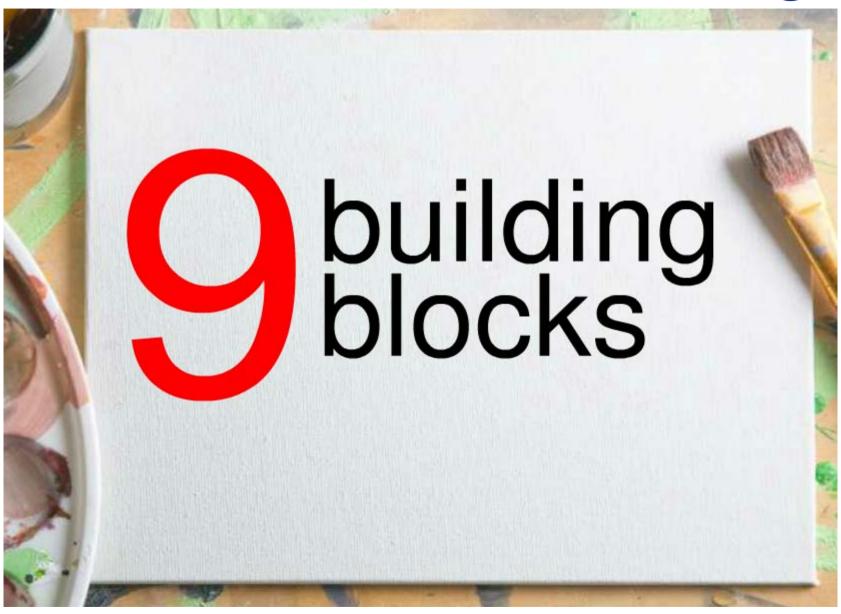
This applies to companies as well or they simply disappear.

Welcome to the world of evolution: **Business Model Innovation**

Simply put a BM needs to articulate and capture









So, let me summarize the concept of the Business model and its value in three propositions:

One: A "business model" **defines** a broad competitive approach to the business and articulates how a company applies processes, technologies and resources to build and sustain it in its relationships and in its offering for customers.



Two: Every successful business model **earns** some sort of competitive advantage to the extend it enhances on what is being offered. The life span of any BM is limited in today's business conditions. Don't focus on administering to the (illusory) stability but on continually preparing for tomorrow's inevitable change.



Three: A business model should **offer** a comprehensive way of understanding its focus of competition, then it must focus on innovation. Relentless changes means the business model needs to evolve. Innovations that pertain broadly and directly to the business model or force it to change are life-sustaining.

So how does one come up with successful business models?

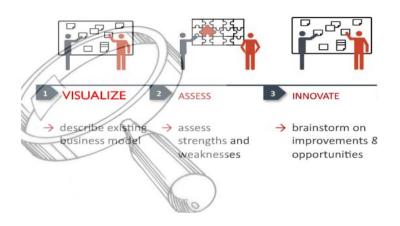


implement

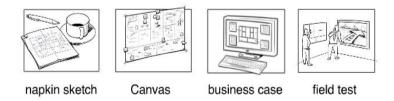
execution

Use your team, use some simple tools, make some sketches quickly, discuss them

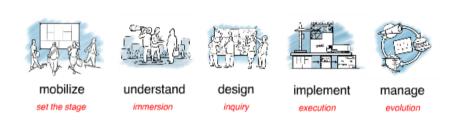
3 steps of business model design



business model prototyping



five phases of business model design





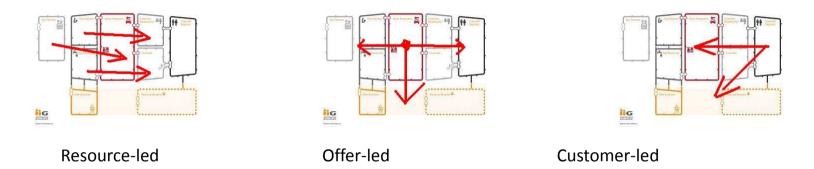
Source: www. Businessmodelgeneration.com

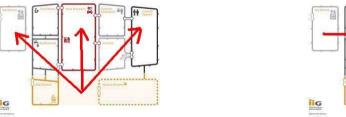
Use your team, use some simple tools, make some sketches quickly, discuss them



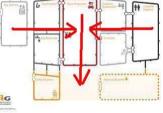
Source: www. Businessmodelgeneration.com

Concept Design – Sketching on your Business Model Canvas





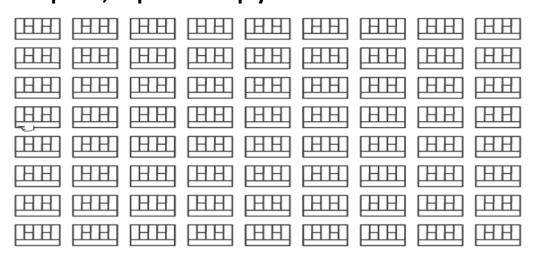
Finance-led

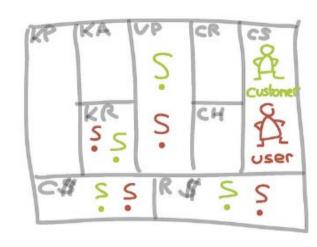


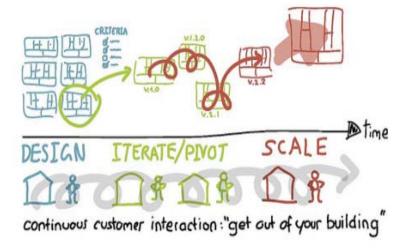
Multiple-centred led

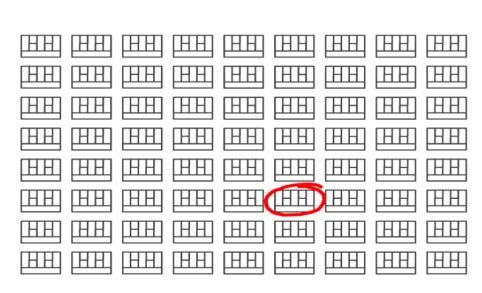


Practice, practice, practice. Experiment, experiment, experiment. Explore, explore, explore. Simply make this a 'second nature'.



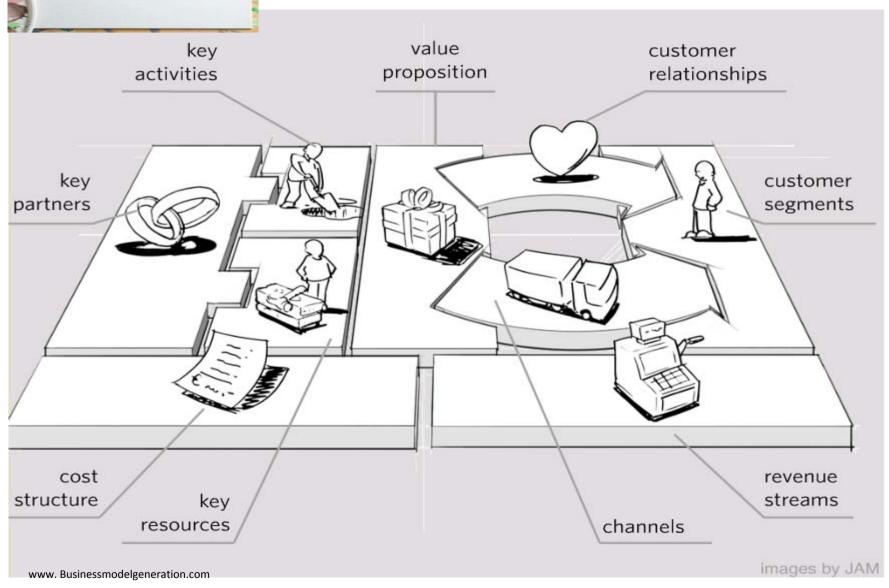




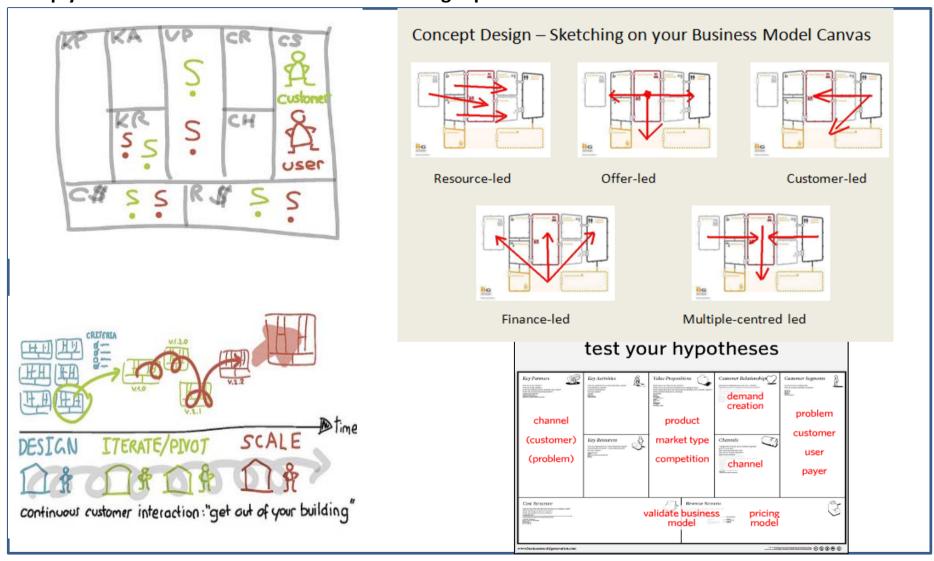




within the BM Canvas



Practice, practice, practice. Experiment, experiment, experiment. Explore, explore. Simply make this 'second nature'.....through quick sketches





No business plan survives the first customer contact.



It's the business model, stupid.

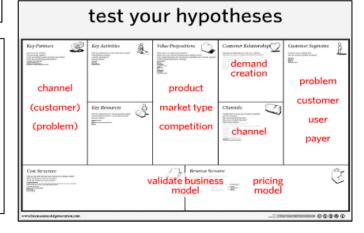
Take time to think through alternative possibilities.

"A business model describes the rationale of how an organization creates, delivers, and captures value"



Your business model idea is just a set of hypotheses.

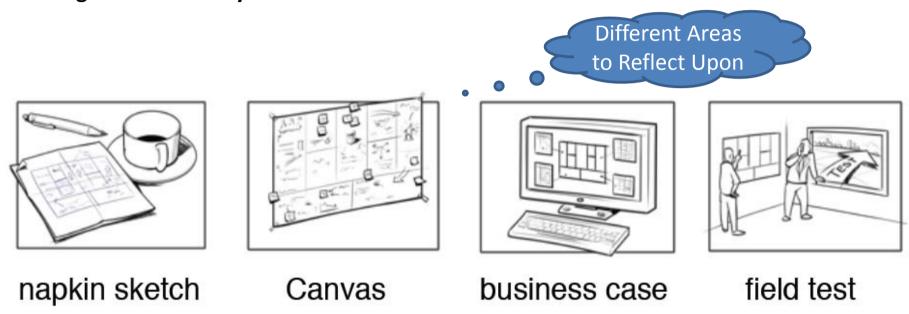
Don't build your company, until you've verified your Business Model





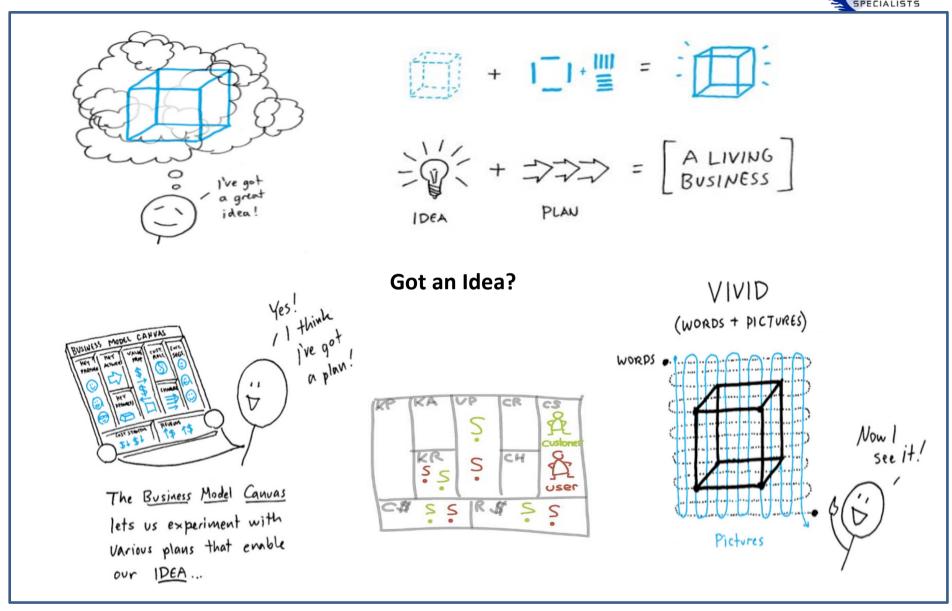
www. Businessmodelgeneration.com

So I asked you over the past weeks to encourage you to practice getting to the internal 'field test' stage by 'bouncing' your ideas off of your colleagues......did you?



If you did- great, if you didn't- well ok it was the Christmas break- lets push on regardless.





Source: Dan Roam for his book Blah, blah, blah recently on a blog

Lets bring back that touch of fear (mentioned previously)-

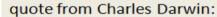


It does seem companies have a fairly predictable life cycle:

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"It's not the strongest of the species that survive, nor the most intelligent, but the one that is most responsive to change"



This applies to companies as well or they simply disappear.

Welcome to the world of evolution: **Business Model Innovation**





The warning signs for the need of a new Business Model to reinvent the core. So how do you recognize industry breakpoints? Here are the early signs:





- 1. Falling demand for standardized products
- 2.Declining margins in the industry due to low cost good value competition
- 3. Rationalization of the availability of new sources of supplies or technologies as amplified signals
- 4. New entrants pushing a new value curve supporting by different economics
- 5. New entrants/existing competitor promoting new behavior that can be disruptive
- 6.Remember, it is far easier to try to create an industry breakpoint then reacting to one.

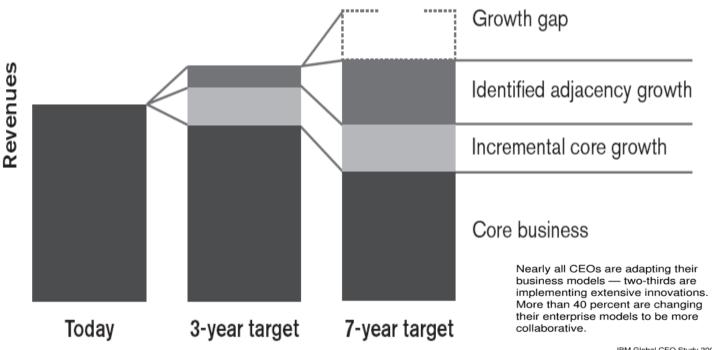
Many companies come at evaluating these far too late, it is a lot harder to innovate when market share and earnings are under pressure.

Constantly updating, reviewing and experimenting with BM's keeps you alert to change and able to have 'seen' breaking opportunities or points of forthcoming stress



Increasingly organization's are looking to new Business Models to fill the growth gap and stay 'relevant and attractive' to shareholders

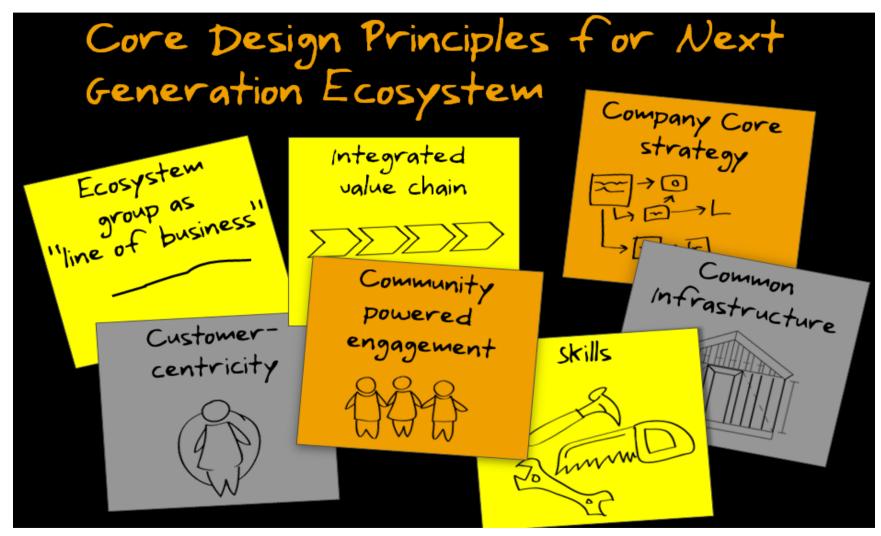
Defining the growth gap



IBM Global CEO Study 2008



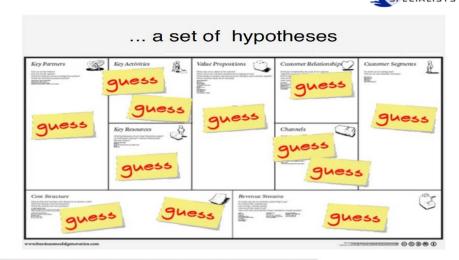
New Thinking, New Opportunities, New Spaces, Greater Potential Where are these fitting within your Business Model?

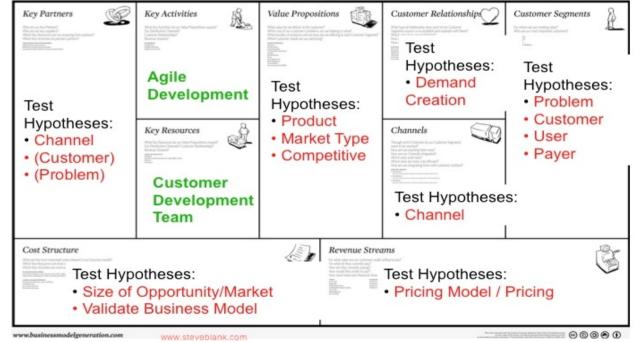


Remember.....though

Everything is a Hypotheses until you test it......

And you don't test it in the office, you test it out in the marketplace......





Some thoughts on research for adding value to BMI



- It can help discover new perspectives on challenges or solutions.
- These perspectives can be new insights, new customers, new resources, new channels
- Research can underpin/justify the Business Case through different (external) analysis
- It can define needs- needs in the market, jobs-to-be-done, needs required from solutions and their impact
- Research can investigate value propositions (ranking, impact, capability, competition)
- It can help investigate higher impact propositions (value- based, enhanced economic, etc)
- Research can help support and model potential profit and 'point' towards resource & cost issues
- It can evaluate competition or watch for new entrants and 'spot' where opportunities lie.
- Research can certainly explore consumer thinking (pre and post discovery) and execution
- It can be a neutral observer, uncovering opportunities or validating them to take on board or placed on the 'to be watched' list.

Recommendation: All companies should now plan to have a proportion of their R&D budgets allocated to business modellingit directs and drives innovation.



Business Model Prototyping- going through different stages & needs research steps

DESIGN MOCK-UP (low cost) INTERNAL (low/med cost) **EXTERNAL** (med/high-cost) **BETA** ΙT **AUTOMOTIVE Clinical Trials PHARMA RETAIL** Trial gear and showers for runners at Tokyo Adidas store PROFIT FORMULA **BUSINESS** Refinement as you Granular & can be MAPPING clearly demonstrated learn **MODEL**

Change happens over time, as they do, you need to 'reflect' and 'record' those these

Customer:

Changes recorded, shifts explained

Value:

Refinements made

Channels:

Adjustments and shifts made

Customer Relationships:

Reflection of discussions, adapting to these

Revenue streams:

Updated calculations, flag major shifts

Estimated period: depends but 1-3 years for full impact and correct measurement of impact and ROI.

Key Resources:

Needed to support throughout life cycle Bring into project and why

Key Activities:

Changes made, assumptions changed Roadblocks flagged, hurdles adjustments

Key Partnerships:

Further enhanced, reasons and learning Different views, adapting to insights

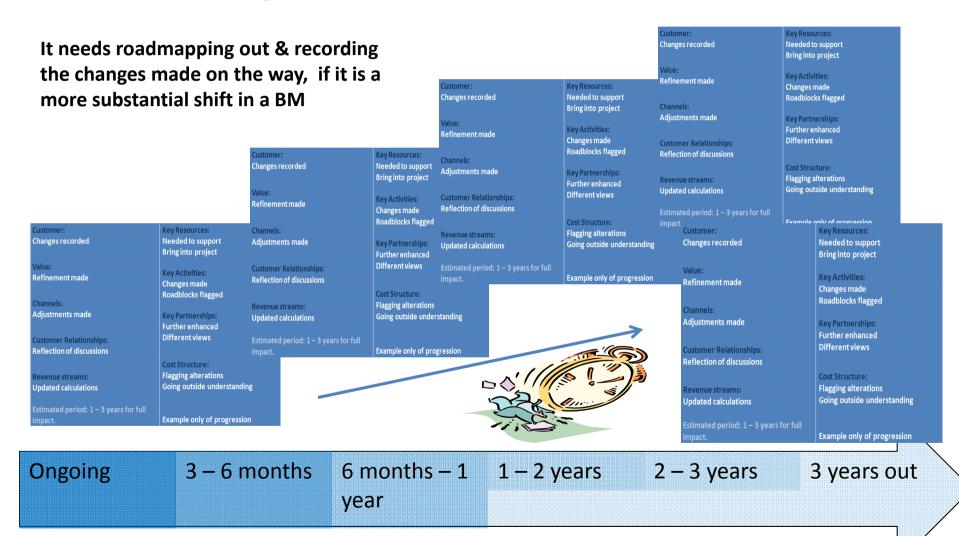
Cost Structure:

Flagging alterations

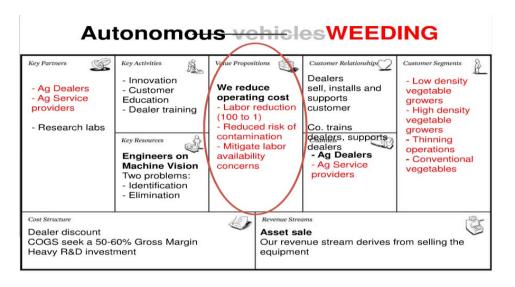
Going outside organizations understanding



A new business model that has built in complexity does not materialize over night, it takes multiple re-iterations or innovating hard work.



Others can quickly follow the changes as you prove it...

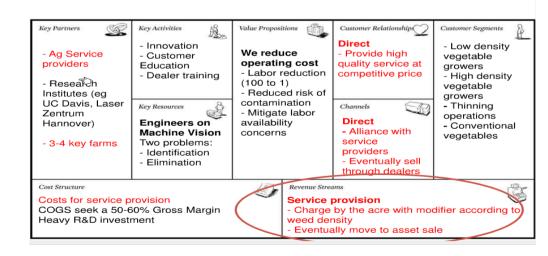


Stakeholders can stay involved by having 'flagged' the critical changes

Using the Canvas to update changes taking place to 'seek' the best model

Source content www.steveblank.com

Autonomous weeding - Final

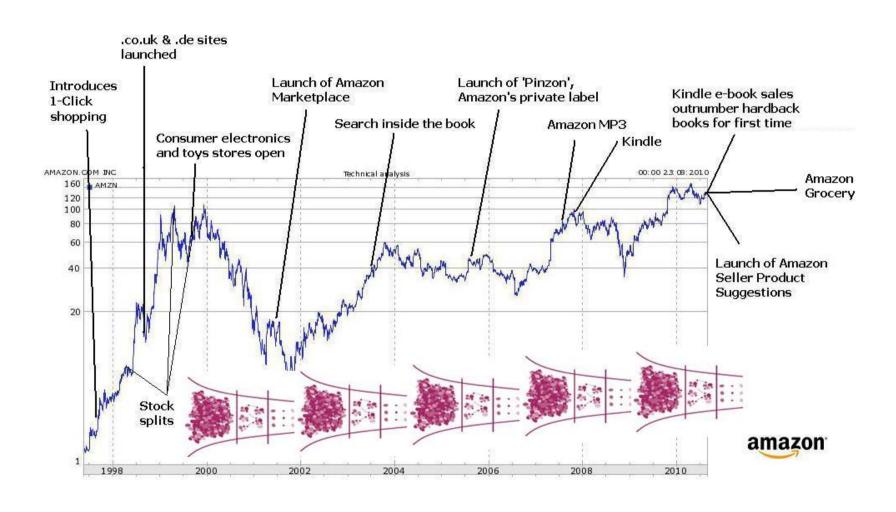


The place we all really wish we could 'crack'

business model innovation helps getting jobs done for customers profitably, which were previously undoable



Growth by continual business model innovation- one example of its value to innovate and evolve with changing Business Models





These I call my "large organizations eight powerful reasons to adopt the Business model canvas" Let me place all the options in front of you, to be explored, to be tested, to be given a decent trial perhaps.

These are:

manage evolution

- To simply explore new business models as the book originally sets out
 This is the right beginning spot as it allows you to gain experience and ease of use
- To 'map' changes to existing business models as they evolve or need to pivot differently.

 There is a growing body of work on the pivot by Steve Blank and Eris Ries. This work is not exclusive to the entrepreneur (http://bit.ly/bYhHwQ and http://bit.ly/1fplpK). Knowing the different value generation points in any engagement with your customers, learning from these and pivoting on that new knowledge is valuable.
- To sketch out competitors positions to explore possible opportunity gaps.
 This should become one of those consistent 'habits,' often a real blind spot, the BM Canvas can spot and track competitors and show the critical changes as they happen.
- Use it as a dashboard for innovations that have an impact on existing business models.

 Whenever you have any major BM change you capture it on your BM Canvas so all above and below in the organization can see the change, it becomes the communication document. This can apply also as a 'trigger' point for communicating significant changes happening, up and down the organization.

Continued....

Four more.....

- Use it to compare business model components across countries where different business model approaches are being applied that reflect local operating conditions.
 - This enables all involved to quickly focus on the differences on these operating models and market formations to get quickly at strategic discussions. It brings everyone onto the same value proposition and to rapidly explore the different options far more quickly than through those countless power point slides we have all endured. It gives business reviews a (fantastic) template. Try it!
- When you are pitching for funds it provides the top picture that others can quickly see and appreciate the why
 and how- they 'see' the value and the \$\$ potential.
 - Again those just wanting to know where the money is coming from, and then when the changes occur, as they always do, the canvas offers 'intelligent enquiry' supporting the business managers with appropriate experience to compliment theirs.
- To have ready alternative scenario's for volatile business conditions

 Be 'early ready' and have mapped out potential changing conditions for the where and how the business model might be adjusted or radically changed. The earlier 'warning system' pays in today's volatile times.
- Rapid concept brainstorming to move into prototyping evaluation and market testing.

 Testing many different variations in small bite sized bets is rapid prototyping, do this through the effective use of the business model canvas. Testing fast in the actual market place new business models and then learning from them to improve the approach is absolutely critical. Get the customer involved.

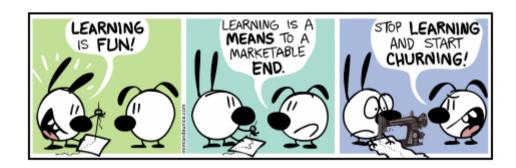
Just consider all eight of them. Learn the basics then experiment and you will not look back

So what is holding the large organization back?

...the times they are a-changin- bob dylan

We have seen the significant shift from internalizing to externalizing through open innovation. In seeking differentiation, businesses have had to loosen up and give up some of their 'control'. The world seems more dynamic and complex, it is a place where you have to find a unique position in the market, and one built on competitive advantage *seen* through the eyes of your customer not from within your four walls.

The business model captures 'breaking' opportunities and clarifying existing value propositions, so I believe now is the time for the Business Model canvas to have a clear uptake in larger organizations?





Questions for your internal discussion Designing new business models

- What is your objective for business model innovation?
 - ☐ Improve profitability
 - ☐Generate growth
 - ☐ Secure the future of the enterprise
 - ☐ Explore selected products and services differently
 - **....**?



- ➤ How vulnerable is your existing business model(s)? Are you in the right places?
- > How can you create more compelling (new) value offers for your stakeholders?
- ➤ How can you 'commercialize' value creation and be close(r) to customers?
- ➤ How can you ensure the BM canvas becomes part of your innovating culture so that everyone can identify with its unifying effect?
- ➤ Can you identify different key value creating processes?
- ➤ Can you use BM Canvas to innovate in more systematic ways?
- > What capabilities might fundamentally change the value proposition you need to acquire?
- ➤ Where can you partner and where not to accelerate and strengthen your business?



The four core questions for your business model canvas

Why should customers be excited to do business with you? That is the value proposition.

How do you create the excitement of your customers in a productive way? That is the value architecture or operating model to fulfil your value proposition.

How do you earn money? That is your revenue model or the profit formula and why you as the owner or management should be excited about the business.

What are your values you live up to in your team and with your customers and partners? That is the human side of the business and of utmost important, it is the most important part.

If you can answer these questions you have a great strategy that is customer-oriented, profitable and sustainable- an emerging viable business model.

So let's Summarize.....

- ✓ Business Models are vital to understand and articulate.
- ✓ They are vital to constantly use and construct
- ✓ The value of linking innovation activity to the Business model is important
- ✓ They are a really valuable designing tool to sketch out on one page
 (canvas) and be able to engage with others for clarity and sense of purpose
- ✓ They can offer a more dynamic way of managing in rapidly changing condition we are facing
- ✓ This has been a 'brief' overview. It needs deepening understanding or you meet Poop
- ✓ The need to get out of the Poop and the Door.....customers are in the real world and not in your office- I mean can you believe that!!



Poop

simply don't tread there without knowing, find out more to avoid this fate!

☐ Pitfalls - forget the old reliance on Business Plans but remember BM's need a lot of work to discover, to validate, to test and to justify.
☐ Obstacles - the often inability to articulate the Business model cause considerable confusion and lack of identification. Having a one page canvas brings everyone on one page getting there is difficult
☐ Opportunities - using the BM Canvas can extend understanding through a variety of uses and application to help focus your business. Knowing all the options and possibilities needs further clarity
☐ Potential - to explore BM options in quick, imaginative and different ways gives your organization better possibilities to 'sense, read and react' in challenging market conditions Find out more.
☐Time to go beyond this and started in practising Business Model evaluations- do you need help? In the meantime you can explore some helpful references.

My final point: We do need to find a common language in Business, it is simply needed

I do think the Business Model Canvas is about to go through a (further) tipping point, that crossing the chasm into mainstream adoption.

Gaining this common voice to the business model and recognizing the value of this tool in many different situations can be valuable, so all those around can understand it easily and quickly. It is a major advance on what we presently use in having to explain our business models.

For me there is something intuitive about the BMC approach.

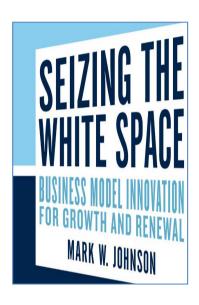
Simply to *empower* everyone, to go out and seek increased value from new BM's, often seen but not captured in its interpretation, that they can simply communicate this on one page, well that's the real power of the Business Model Canvas, for any organization, large or small.

Finding a common language is one of the critical tenets that Alex has been arguing with his Business Model Canvas approach.









BUSINESSAMODELGENERATION.COM

I am looking forward to provide you many 'bed time' stories that make you excited to stay awake, not fearful that you fall asleep! A guide to exploring the different techniques, methodologies and structures within the Business Model.

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Clear acknowledgement goes to many different reference points drawn upon

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