Business Modeling 101 – Using the Business Model Canvas to drive Capability Mapping

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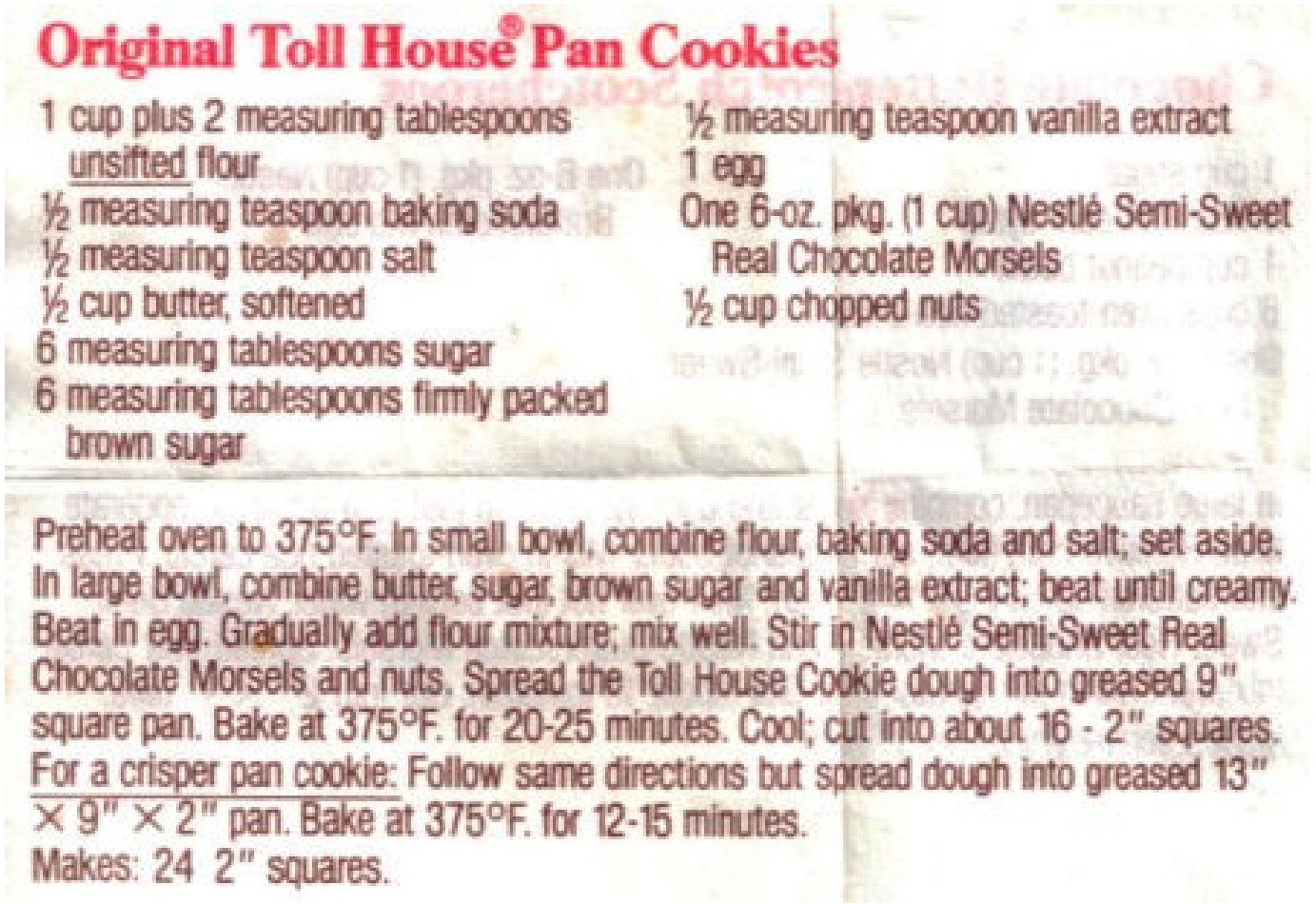
How will you grow today?

Learning Objectives – How will you grow today?

1. **Define the term “Business Model”**
2. **Draw a Business Model Canvas (BMC), describe the 9 Building Blocks**
3. **Describe key connection between Business Models and capabilities**

What's a Business Model?

Favorite Recipe



Original Toll House® Pan Cookies

1 cup plus 2 measuring tablespoons unsifted flour
½ measuring teaspoon baking soda
½ measuring teaspoon salt
½ cup butter, softened
6 measuring tablespoons sugar
6 measuring tablespoons firmly packed brown sugar
½ measuring teaspoon vanilla extract
1 egg
One 6-oz. pkg. (1 cup) Nestlé Semi-Sweet Real Chocolate Morsels
½ cup chopped nuts

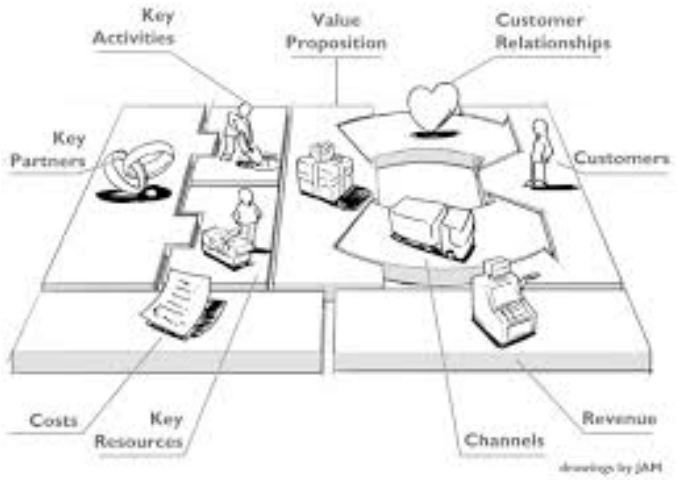
Preheat oven to 375°F. In small bowl, combine flour, baking soda and salt; set aside. In large bowl, combine butter, sugar, brown sugar and vanilla extract; beat until creamy. Beat in egg. Gradually add flour mixture; mix well. Stir in Nestlé Semi-Sweet Real Chocolate Morsels and nuts. Spread the Toll House Cookie dough into greased 9" square pan. Bake at 375°F. for 20-25 minutes. Cool; cut into about 16 - 2" squares.
For a crisper pan cookie: Follow same directions but spread dough into greased 13" × 9" × 2" pan. Bake at 375°F. for 12-15 minutes.
Makes: 24 2" squares.

- Name of something tasty (Value)
- Ingredients (Resources)
- Measurements (Costs/Revenue)
- Directions (Activities)
- Tools needed to make (Partners)

Where are the business models?

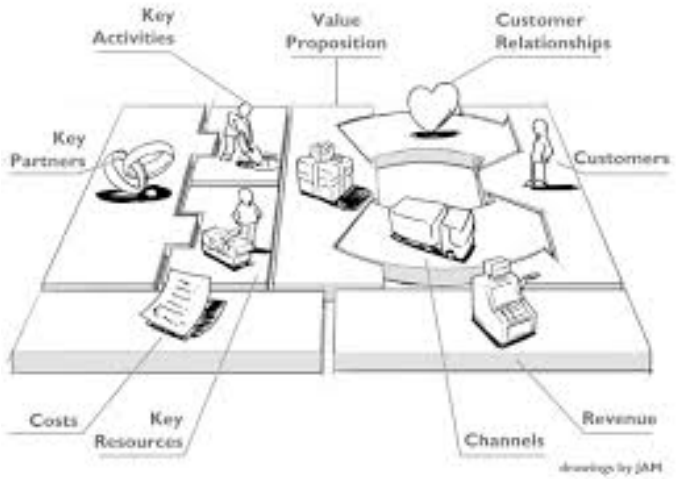
A.)

B.)



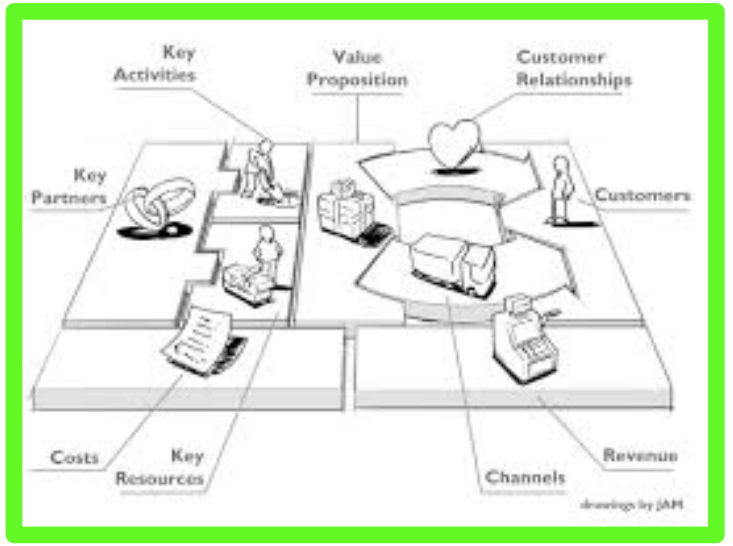
C.)

…….They are all business models



We need common language for shared understanding

We are going to explore this one



C.)

Lets get to some definitions

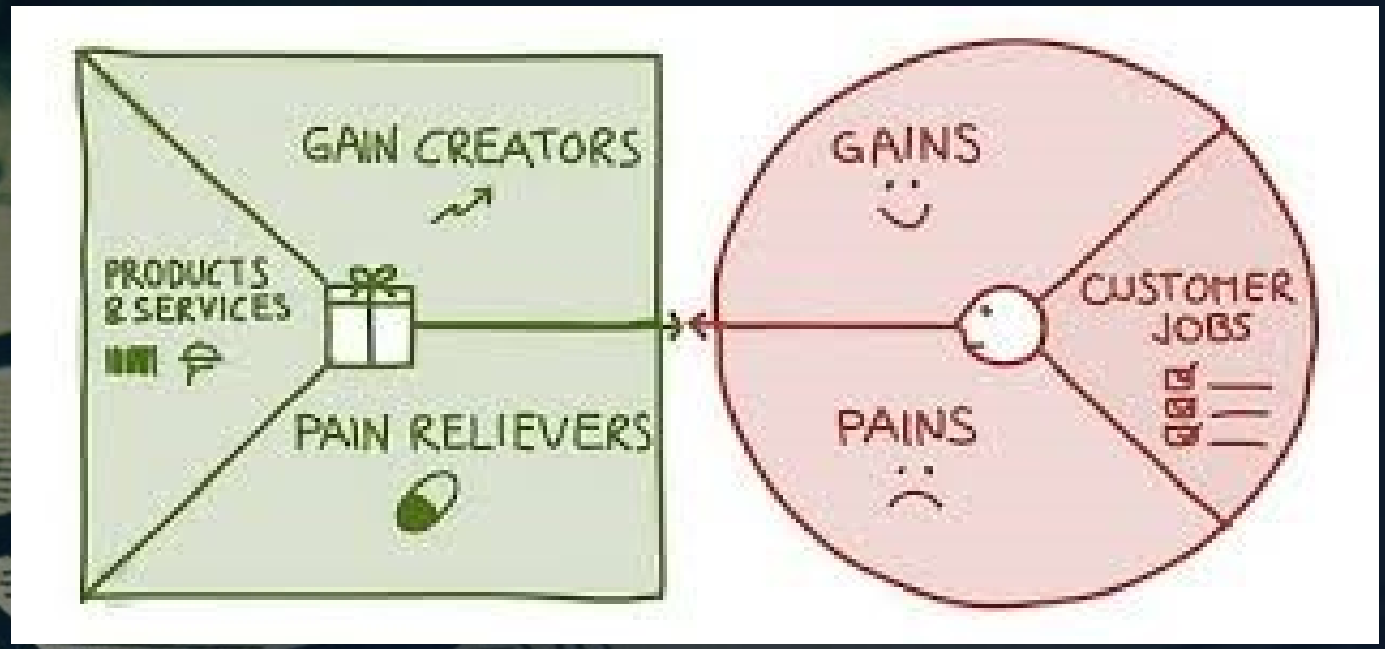
Value - Definition

1. **The regard that something is held to deserve; the importance, worth, or usefulness of something.**

2. **A person's principles or standards of behavior; one's judgment of what is important in life.**

Who are your customers and what do they value about you?

Successful business models also add value to employees & communities beyond revenue generation



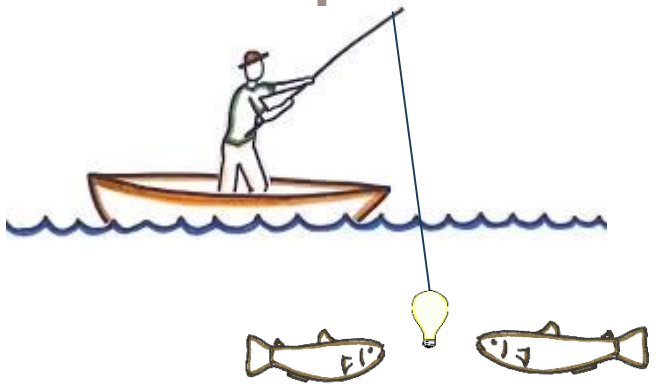
Business Model - Definition

A way to describe the rational of how an organization:

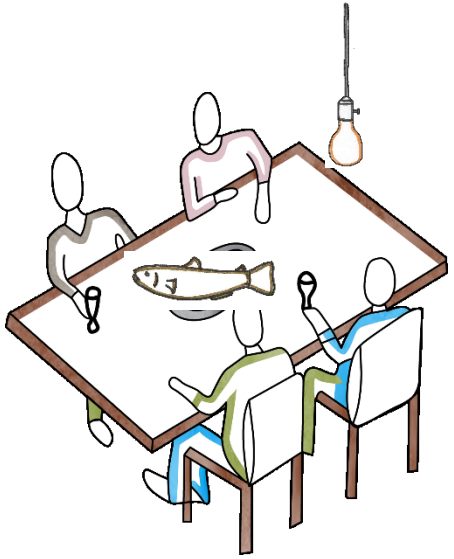
Creates

Delivers

Captures



Value

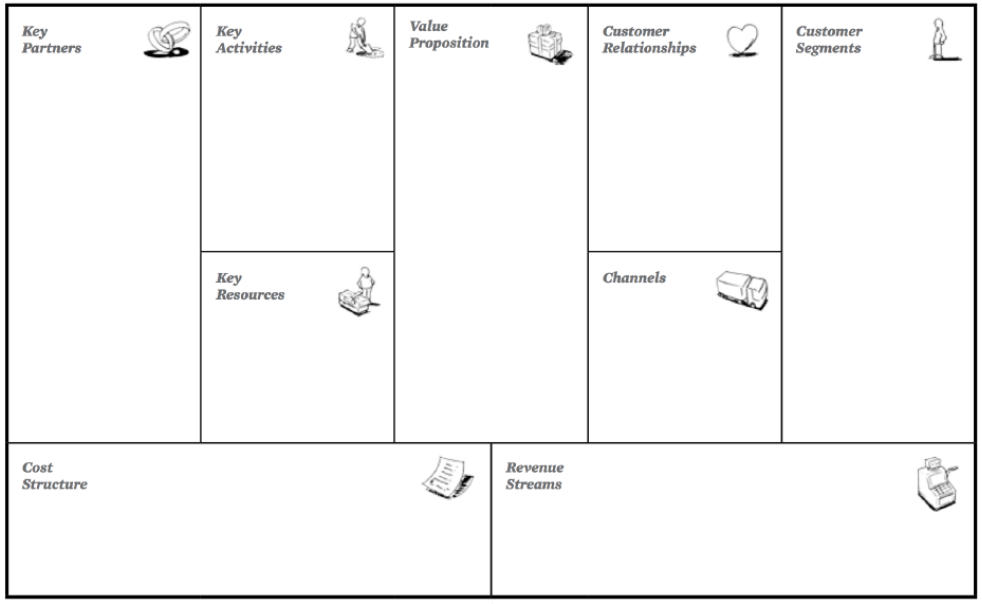


Sound like a business plan?

Business Model Canvas - Definition

A one page model that captures 9 key assumptions about the business

- **Interactive**
- **Visual**
- **Scalable (napkin or whiteboard or work of art)**
- **Not a business plan – think agile vs. waterfall**



Business Model Canvas

Key Partners	Key Activities	Value Proposition	Customer Relationships	Customer Segments
	Key Resources		Channels	
Cost Structure		Revenue Streams		

CS

1 Customer Segments

An organization serves one or several Customer Segments.

VP

2 Value Propositions

It seeks to solve customer problems and satisfy customer needs with value propositions.

CH

3 Channels

Value propositions are delivered to customers through communication, distribution, and sales Channels.

CR

4 Customer Relationships

Customer relationships are established and maintained with each Customer Segment.

R$

5 Revenue Streams

Revenue streams result from value propositions successfully offered to customers.

KR

6 Key Resources

Key resources are the assets required to offer and deliver the previously described elements...

KA

7 Key Activities

...by performing a number of Key Activities.

KP

8 Key Partnerships

Some activities are outsourced and some resources are acquired outside the enterprise.

C$

9 Cost Structure

The business model elements result in the cost structure.

KEY PARTNERS

Who are our key partners?

Who are our key suppliers?

Which key resources are we acquiring from our partners?

Which key activities do partners perform?

KEY ACTIVITIES

What key activities do our value propositions require?

Our distribution channels?

Customer relationships?

Revenue streams?

KEY RESOURCES

What key resources do our value propositions require?

Our distribution channels?

Customer relationships?

Revenue streams?

VALUE PROPOSITIONS

What value do we deliver to the customer?

Which one of our customers' problems are we helping to solve?

What bundles of products and services are we offering to each segment?

Which customer needs are we satisfying?

What is the minimum viable product?

CUSTOMER RELATIONSHIPS

How do we get, keep, and grow customers?

Which customer relationships have we established?

How are they integrated with the rest of our business model?

How costly are they?

CHANNELS

Through which channels do our customer segments want to be reached?

How do other companies reach them now?

Which ones work best?

Which ones are most cost-efficient?

How are we integrating them with customer routines?

CUSTOMER SEGMENTS

For whom are we creating value?

Who are our most important customers?

What are the customer archetypes?

COST STRUCTURE

What are the most important costs inherent to our business model?

Which key resources are most expensive?

Which key activities are most expensive?

REVENUE STREAMS

For what value are our customers really willing to pay?

For what do they currently pay?

What is the revenue model?

What are the pricing tactics?

Why do we need to understand Business Models as architects?

“Just as a fish doesn't know it is wet, so companies often can't see or feel the very opportunities where they are swimming”

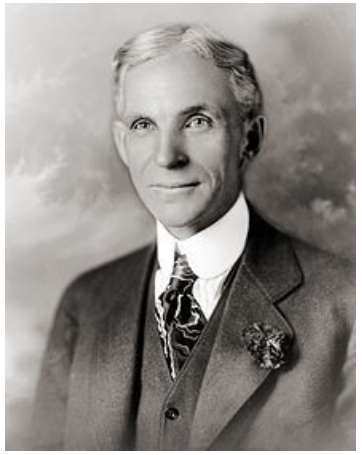
Pam Henderson – Killing Ideas

Importance of Business Models

- Architects help clients see opportunities they are swimming in
  - Want to be the first call our customers make when they have a wicked problem
  - Want to be known for encouraging innovation
  - We want to provide our customers with repeatable ways to innovate

- Architects need ways to help customers
  - Simply capture ideas in a standard but scalable format
  - Visually communicate ideas in a way that builds shared understanding
  - Quickly iterate, explore, and diagnose these ideas

Importance of Innovation



Chief Engineer leaves Edison Illuminating company in 1896 after being encouraged by Thomas Edison to experiment with automobiles.

Henry Ford

After selling his first video game at the age of 12 for $500, later uses his $165M fortune from selling Paypal to Ebay to create electric car co. Tesla and commercial space co. Space X.

Elon Musk

"While key industry changes seem to be driven by new products or technologies, *industries are disrupted by new ways of creating and delivering value* to customers, employees, and communities"

Connecting Business Models with Innovation

- Our customers today are now under constant attack from disruptive technology, startups, and business model innovators

- Business Model Innovation enables us to help established firms*
  - Tune up their current business model
  - Determine if proposed ideas are a good cultural "fit"
  - Leverage existing capabilities
  - Create new models for departments, products/services, or new business

*Source - https://www.innovationmanagement.se/2014/03/10/how-to-do-business-model-innovation-for-the-established-firm/

Running with the Canvas

Ways to Use the Canvas

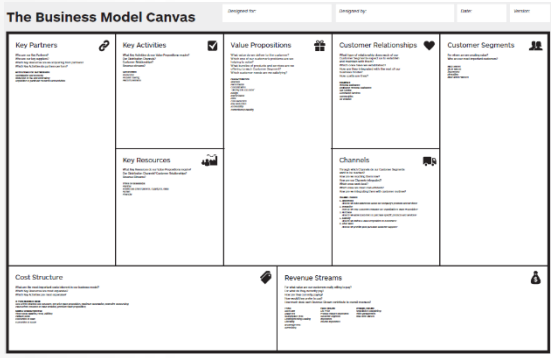
- Help understand typical business model for an industry
- Document their existing business model
- Develop a Brand New Product, Service, or Business
- Facilitate a session to develop corporate or departmental Strategy
- Elicit high level requirements for a New Product/Service when company silos prevent cross dept. collaboration
- Recommend a New Service/Product based on Cultural fit or required Revenue
- Design/Modify a New Service or Product based on customer feedback or insights

Setting the pace with the Canvas

Business Canvas Session

Recommended Agenda

1. **Discuss Business Model Canvas**
   Each team member should talk through their intent and vision using the Business Model canvas.



2. **Gain Consensus and A Clear Point of View**
   Discuss which components of each of the proposed BMCs should be incorporated into the go-forward approach for building out your idea.

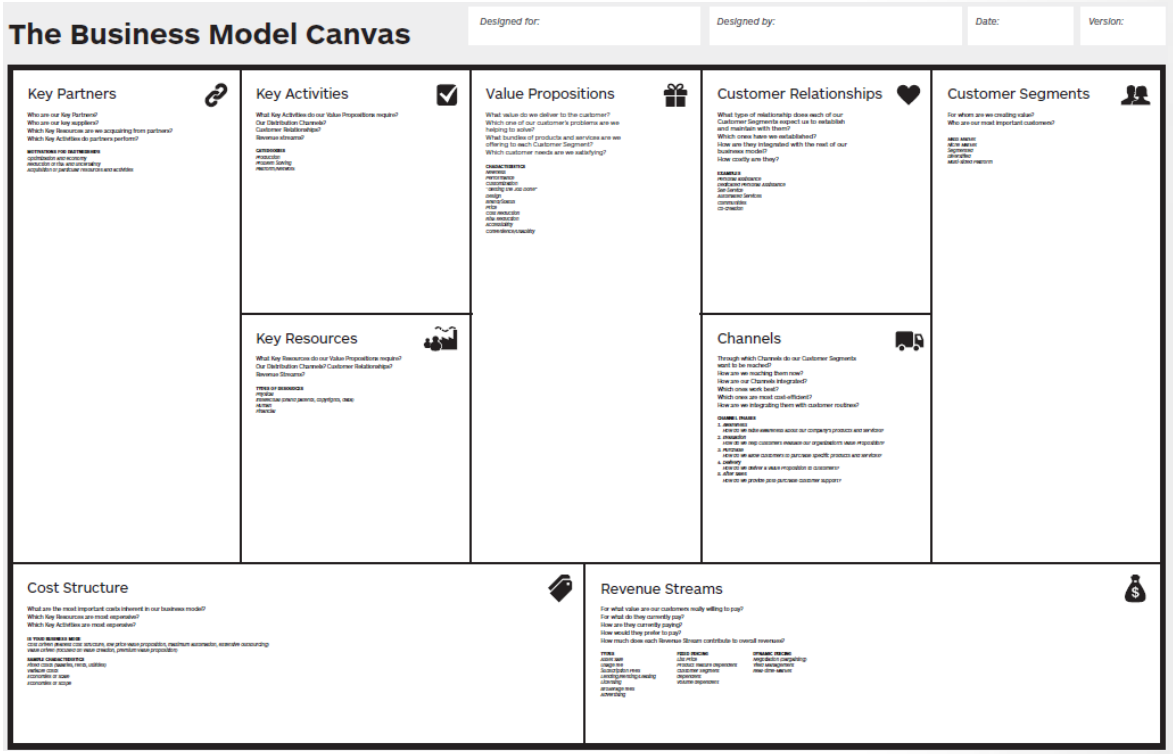
3. **Get Familiar with the Environment**
   Think through key trends and industry, market and macro-economic forces that may or may not impact your idea's value proposition.

Explore many Business Models

Complete the Business Model Canvas

How Should we Complete the Canvas?

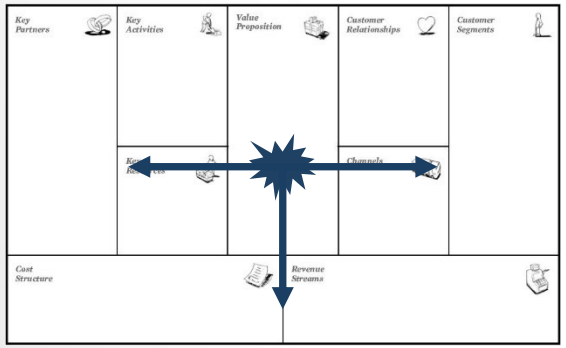
1. You should complete four canvases for your idea – it's okay to do multiple canvases per person
2. In a large setting draw the canvas ahead of time on self-stick easel pad paper and use post it notes to capture ideas from the group. Take a picture after the session for quick distribution of results.
3. Another alternative is to capture live using a powerpoint template, but this is less interactive
4. Work somewhat fast – rapid ideation and reworking of ideas are keys here
5. You may complete online using strategyzer.com



Where do I start in the canvas for the innovation journey?

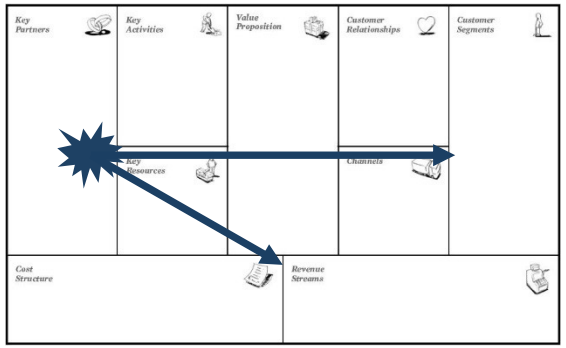
How to Tackle the Business Model Canvas

1. Offer - Driven



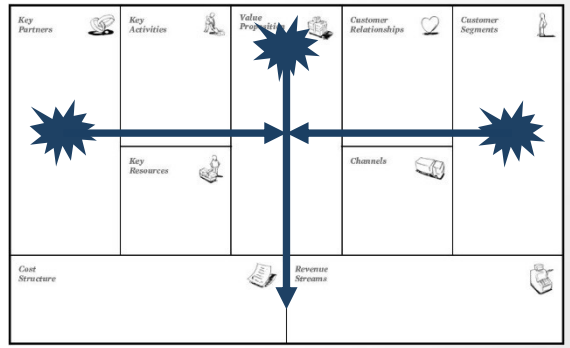
These innovations create new value propositions

2. Resource - Driven



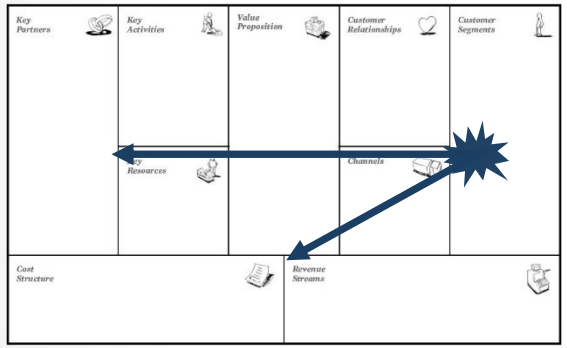
These innovations originate from an org's existing infrastructure or partnerships.

3. Multiple Epicenter - Driven



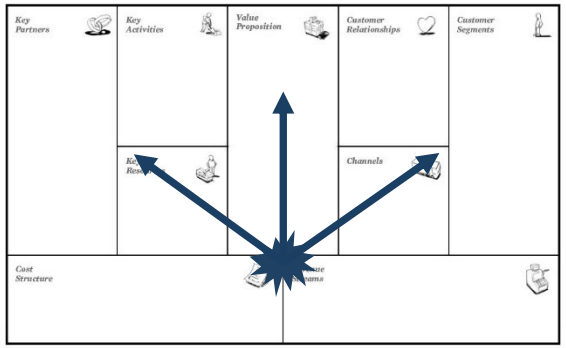
These innovations are driven by multiple epicenters.

4. Customer - Driven



These innovations are based on customer needs, facilitated access, or increases convenience.

5. Finance - Driven



These innovations are driven by revenue streams, pricing mechanisms, or reduced cost structure.

*Start at the star and follow the arrow for a guided approach to the canvas

What we learned

1. Business Models – Common language
2. The 9 Building Blocks of BMC
3. Key connection between Business Models, Operations, Marketing
4. Connecting Capability Frameworks

QUESTIONS?

WAZA

CREATIVE THINKING, PRACTICAL SOLUTIONS

BUS. ARCHITECTURE RESOURCES

- Guided Implementation Resources
- Bus. Arch. Toolkit – Coming Q2 2017
- Career Coaching

VENDOR SOLUTIONS RESEARCH

- Independent Software Evaluation
- Product Strategy Research

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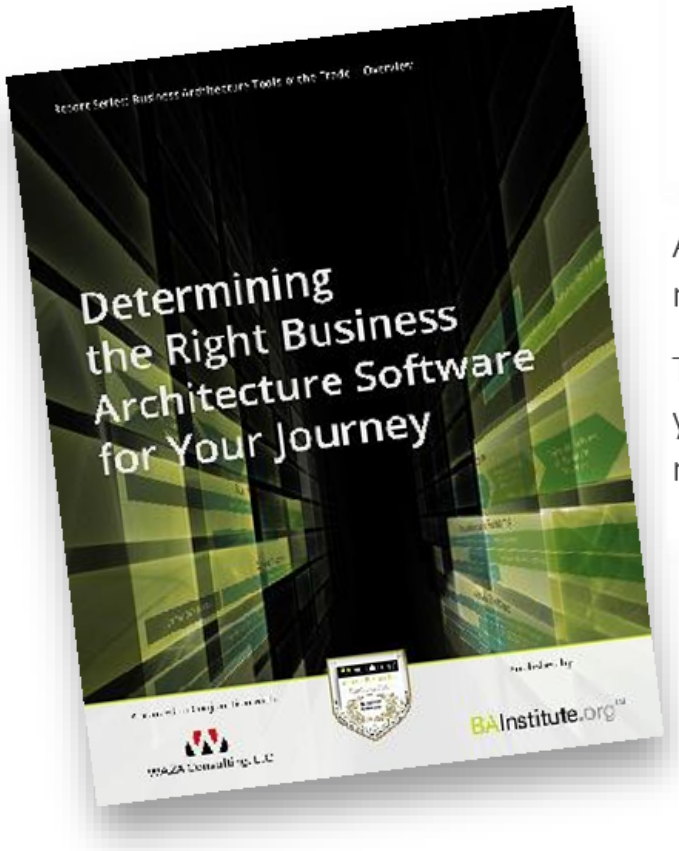

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This Report:

- Highlights the value of Business Architecture to business leaders
- Identifies three primary use cases for Business Architecture software
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Additional Resources

Whitepapers

Determining the Right Business Architecture Tool for your Journey

Books

- Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers by Alexander Osterwalder and Yves Pigneur
- Harvard Business Review on Rebuilding Your Business Model (Paperback Series)

Video

- Business Model Canvas Explained

Business Model Canvas - Template

Key Partners	Key Activities	Value Proposition	Customer Relationships	Customer Segments
	Key Resources		Channels	
Cost Structure			Revenue Streams	