



Article

The Next Move For Business Owners

Break It and Make It:

How To Successfully Transform Your Business Model

Polaroid, Bethlehem Steel, Blockbuster, Woolworth, TWA, A&P and Montgomery Ward. “What do these companies have in common?” asks Vistage Resource Speaker Nick Niemann at the beginning of his program. “They all were successful recognizable brands, all were publicly traded, and, along with hundreds of equally recognizable names, they relied on their static business model and they failed.”

Business Model Landscape. For any company to endure and continue to prosper today, it is critical that CEOs understand and deliberately address business model design and innovation within their own organization. “The scale and the speed at which innovative business models are transforming industry landscapes today is unprecedented,” according to Dr. Alexander Osterwalder of The Business Model Generation project based in Switzerland. According to Fortune Magazine (October 2, 2006) “Business models are living much shorter lives these days.”

“Nearly all CEOs are adapting their business models” and “two-thirds are implementing extensive innovations,” according to the 2008 IBM Global CEO study The Enterprise of the Future. “Failure of business happens gradually over time due to something in the business model not working and it not being corrected,” says Omaha Vistage Chairman Cathy Fitzhenry.

The Business Model Hub. Any discussion of business models should begin with a discussion of exactly what is a business model. “Unfortunately”, according to Niemann, “the term ‘business model’ is casually, inadequately and often inaccurately referred to in various articles and publications across the country without any real reference to exactly what is meant.”

“Dr. Osterwalder has brought much needed clarity and understanding to the discussion of business models over the past few years”, says Niemann. Starting with his doctoral thesis in 2004, titled “The Business Model Ontology – A Proposition In A Design Science Approach”, Dr. Osterwalder developed both a practical framework and a language for describing and innovating business models. According to Niemann, “Using the worldwide reach of the internet, Dr. Osterwalder next established the Business Model Hub (www.BusinessModelHub.com). He invited those of us interested in developing the topic to work with him to design, craft and write the definitive handbook on business models, business model patterns and business model innovation,” Niemann said.

Quick Takeaways:

The Business Model Generation Project has shown that every business model of every company has the same 9 building blocks:

1. Value Propositions
2. Customer Segments
3. Customer Channels
4. Customer Relationships
5. Key Resources
6. Key Activities
7. Key Partners
8. Revenue Streams
9. Cost Structure

The Business Model Generation Project. Nick Niemann is one of the 470 business model practitioners from 45 countries around the world who, through this Business Model internet hub, have been taking part in the Business Model Generation project. This ongoing collaboration has so far produced the internationally acclaimed handbook titled “Business Model Generation – A Handbook For Visionaries, Game Changers, and Challengers” (Wiley Publishing).

Niemann is a business-based partner with Omaha's McGrath North law firm. His work in this area with his clients reflects a leading change in law firm business models. Nick is a long time speaker to business and industry leaders. He joined the Omaha Vistage Trusted Advisor Board in 2009. He began sharing this information with Vistage boards as a Vistage Resource Speaker in 2010.

What Is A Business Model? So, what exactly is a business model? “Think of a business model as made up of a number of building blocks,” says Niemann. “Every Business Model of every business has the same 9 building blocks. The difference between businesses is in the design features of each building block, their characteristic strengths and their relationship to the overall business model.”

“A business model expresses the ‘logic’ of a business. A business model is like a blueprint or the core content of a business. It is the short story,” says Niemann. According to Dr. Osterwalder, a business model describes “the rationale of how an organization creates, delivers, and captures value.”

The 9 Building Blocks. “Dr. Osterwalder and our Business Model Generation project have provided us with a clear language for discussing and understanding business models,” says Niemann. “Dr. Osterwalder’s research shows that business models are made up of these 9 building blocks:

1. **Value Propositions** – The bundle of products and services that create value for a specific Customer Segment.
2. **Customer Segments** – The different groups of people or organizations an enterprise aims to reach and serve.
3. **Customer Channels** – How a company communicates with and reaches its Customer Segments to deliver a Value Proposition.
4. **Customer Relationships** – The types of binding relationships a company establishes with specific Customer Segments.
5. **Key Resources** – The most important assets required to make a business model work.
6. **Key Activities** – The most important things a company must do to make its business model work.
7. **Key Partners** – The network of suppliers and partners that make the business model work.
8. **Revenue Streams** – The cash a company generates from each Customer Segment (with costs subtracted from revenues to create earnings).
9. **Cost Structure** – All costs incurred to operate a business model.”

The Business Model Canvas. These 9 building blocks of every business model have been arranged onto what Dr. Osterwalder calls the “Business Model Canvas.” “I have been using this canvas, along with 15 specific innovation tools, in my workshops to work with CEOs on how to describe, grade, improve, innovate, and, in some cases, replace their business model,” says Niemann. “This process enables us to systematically invent, design and implement powerful and

profitable new or improved business models and to better spot and develop a company's competitive advantage." The version of Business Model Canvas used by Niemann follows this article.

The Business Model Canvas is now being used at companies such as 3M, Deloitte, Capgemini, Telenor Group, PriceWaterhouseCoopers and Sony Ericsson, as well as by 1700 business model practitioners from around the world who are now participating in the Business Model Hub.

The Business Model Foundry. The project has now also spawned a new company, The Business Model Foundry, to design, develop, and market a whole new range of software tools which, says Dr. Osterwalder "will help you think through, prototype, test, implement, and manage new business models." The Business Model iPad App is the first of these tools. According to Dr. Osterwalder, "this will allow you to quickly sketch and simulate business models."

Rapid-Fire Shifts. By enabling company leaders to base their strategy on the building blocks of their business, this business model process is leading to a rethinking of how strategic planning should take place. "One of the problems with the traditional strategic planning formula," says Niemann, "is that it often comes up with strategies which fail to address the fundamental changes actually needed. And when it does hit the right initiatives, the plan often becomes a 'shelf sitter' which fails due to lack of execution."

"Many CEOs are recognizing this and doing something about it," says Niemann. Bloomberg Businessweek (May 18, 2010) reports that "CEOs who select creativity as a leading competency ... are breaking with traditional strategy-planning cycles in favor of continuous, rapid-fire shifts and adjustments to their business models."

"The Business Model Generation project is perfectly suited to this trend," says Niemann. "The Business Model Canvas is our Swiss Army Knife. It is providing a new paradigm for determining and then executing the business and strategic initiatives needed for effective company endurance and growth."








Omaha Vistage CEO Board member Dave Crumrine has dubbed this the "9 block process". He now uses it to determine whether new ideas are a "go or no go". Omaha Vistage Chairman Fitzhenry, who now uses the Business Model Canvas in her 1-to-1s and strategy sessions with CEOs, sums it up: "This thing is going to spin 100 ways before the sun sets."

Business Model Canvas: Describe Your Business Model

Described For: _____
 Described By: _____
 Date: _____
 Version: _____

My Business Model Works Because: _____

Our Model Won't Work Anymore If: _____

| | | | | | |
|---|---|--|---|--|--|
|  <p>Key Partners Our Key Partners Who Help Us Provide Our Products/Services Are ...</p> |  <p>Key Activities We Make Our Products/Services By ...</p> |  <p>Value Proposition We Sell ...</p> |  <p>Customer Relationships We Keep Our Customers By ...</p> |  <p>Customer Segments We Sell To ...</p> | |
| <p>Key Resources To Make Our Products/Services We Use ...</p> | <div style="border: 1px dashed black; padding: 5px;"> <p>The One Short, Strong, Visual Pain/Gain Statement That Describes The Essence Of Our Value Is:</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> </div> | | | <p>Customer Channels We Reach Our Customers ...</p> <p>We Deliver To Our Customers ...</p> | |
| <p>Cost Structure We Pay For Our Activities By:</p> | |  <p>Revenue Streams Our Customers Pay Us By ...</p> | | |  |

Instructions: A Business Model describes the rationale of how an organization creates, delivers, and captures value. Succinctly describe each building block.

Business Model = The Logic = A Blueprint = The Core Content = The Short Story



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 The 9 Component Business Model Canvas is adapted from the book Business Model Generation (www.BusinessModelGeneration.com) by Dr. Alex Osterwalder (nick.neman@nickneman.com) and co-creator, Y. Chai.
 The Canvas is one of the tools from the Business Model Innovation Toolkit: "Break It and Make It - How to Succeed by Transforming Your Business Model" (Nick Neman, Pearson).
 See Business Model Innovation Toolkit for the full range of the 9 Building Blocks.
 See Business Model Innovation Toolkit for Strategic Plan, Test and Execute.

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