

*In the University of Ulster the Business Institute's new BSc in Management Practice has a final year module that requires students to explore the business planning process and develop a plan for a significant innovation in how their organisation delivers its products, services or processes.*

*But many students already have experience of making business cases for change and business improvement in the environment where they work; we needed something that was, in itself, an innovation and would provide an opportunity to look at the business planning process with a different and fresher set of spectacles.*

The business activities carried out in many sectors of the economy – local, national and global – have been changing significantly in recent years. Consider, for example, how different types of ‘agency’ have had to adapt what they offer and how they provide their services in an increasingly competitive environment; customers’ expectations have been changing and the internet has offers different ways of doing business: travel agencies, estate agencies and insurance agencies are three examples. And there are more:

- Stelios Haji-loannou began easyJet, operating two routes, London-Glasgow and London-Edinburgh, with leased aircraft; then in 1998 easyJet began to take bookings and selling tickets online. Low cost, ‘no frills’ air travel had arrived.
- The arrival of the Kindle and ebook readers has brought opportunities and challenges to the publishing industry.
- Zipcars [www.zipcars.com](http://www.zipcars.com) introduce a business model that has the potential to change patterns of car rental, ownership and usage in large urban areas.

As a manager do you ever need to respond to requests, from many different sources for a written plan to complement the business case for an idea for a new product, service or process for delivering your organisation's innovation agenda? And is there a sameness in the products of such a business planning process? Might some new perspectives bring freshness to your approach, add value to the detail provided and generally enhance the likelihood of the success?

Business planning is both a science and an art. On the one hand a plan is generally required by banks or potential investors in a new enterprise; and on the other hand the business planning process in itself can be a valuable way of ensuring consistency and harmony in the approach of different members of an organisation's senior management team and the collective decisions they may need to endorse.

### **What is a business plan?**

Writing nigh on two and a half millennia ago, Plato in his *Phaedo* and elsewhere uses the theory of forms to discuss areas of similarity and difference between objects; for example, what are the common features of different types of things that we would all agree to a call a table: our kitchen table, a picnic table in the park, a boardroom table in an international bank - what are the elements of 'table-ness' that they all have in common?

So too in plans for business development: what do the various models, templates and examples available have in common? And what is the significance of the differences in the approach they each endorse? Venture capitalists, business angels, banks - they all appear to have requirements that seem, at least when first encountered, to vary in terms of content and format. But there are some consistent elements that can be identified to be common to all of them:

The product or service being offered	The market and its value
The team and its track record	Expertise and track record
Potential for growth	Risks
Competitors	Financial projections and return on investment

There is much already available to provide practical help and guidance for those who are tasked with creating a business plan for the first time or those who want some fresh thoughts to improve what they already do. Bookshops and libraries have many books on the subject; there are many websites; banks and other parts of the business support network provide templates and scaffolding to guide those new to the business planning process. Is there an opportunity for something different?

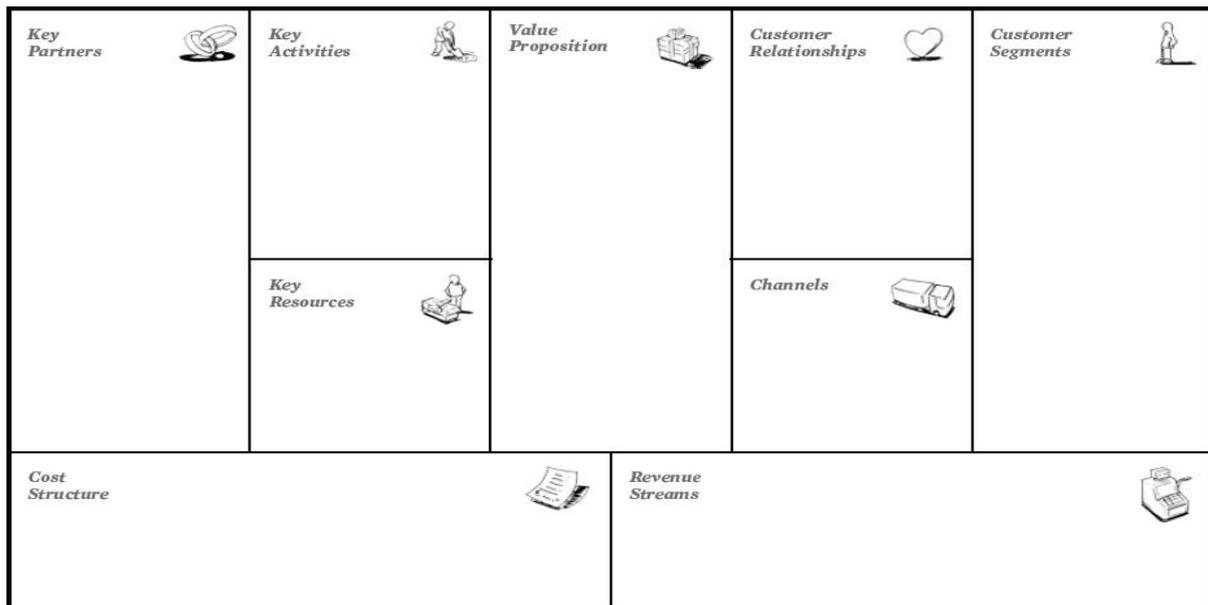
**Business model generation**

Alexander Osterwalder and Yves Pigneur have provided such an innovation. Business model generation, when properly executed, has the potential bring at least some of these benefits. The origins of their approach lie in Osterwalder's PhD work a decade ago at the University of Lausanne in Switzerland.

The model is flexible in its approach, simple to use and, perhaps even more importantly, provides common ground so that members of project teams can explore areas of similarity and of difference in how they can deal with issues that are identified.

The model is presented as a canvas that has nine key elements:

- |                   |                    |                 |
|-------------------|--------------------|-----------------|
| Key partners      | Key activities     | Key resources   |
| Value proposition | Customer relations | Channels        |
| Customer segments | Cost structure     | Revenue streams |



The authors commend a working process that involves using *PostIt* notes and pencils (rather than pens) to generate ideas, sift and sequence them in preparation for a period of discussion, debate, disagreement and - eventually! – decisions. Such a process can of course be of value for group communication. By working in a structured but flexible way through each of the elements ideas can be put forward, evaluated and, where appropriate, accepted in a manner that is consistent with the other elements that need to be considered. Such a process is speculative and iterative rather than linear, and so has considerable potential for producing results of better quality.

Some examples are helpful here:

- The value proposition can include:

Risk reduction	Accessibility	Convenience
Newness	Improved or enhanced performance	Customisation
Design and branding	Price	Cost reduction

- Key resources can include:

Physical assets	Financial
Intellectual	Human

- Revenue streams may come from:

Asset sales	Usage fee	Subscriptions
Lending, rent and leasing	Licensing	Advertising

The book provides opportunities for its readers to enhance their knowledge and understanding of some significant new ideas in related areas of modern management; examples include:

- Blue ocean strategy and the work of Kim W Chan and Renee Mauborgne
- *Free* and the work of Chris Anderson
- *Generation* and the recent work by authors such as Don Tapscott and Tamara Erickson

This can involve dealing with the not inconsiderable challenges of reconciling the demands and requirements of different business ideas, concepts and approaches.

### **The model in action**

The class with whom I have had some experience of introducing and using business model generation has responded positively to the idea, the simplicity of the approach and its considerable potential for bringing real improvement to the organisations they represent. These organisations vary in a number of significant ways:

- Some are manufacturing, some are services and some are not for profit / social enterprises
- Some are small, some are medium size and some are major international corporations
- Some are recent start-ups, some going through a period of significant development and growth, and some are very mature and, frankly, stale.

All can see the benefits of having fresh thinking and a mechanism for making increased impact with the robustness of the business case or innovation that they seem to put forward for endorsement and support by senior management or by external organisations.

A considerable amount of work is done in the module to explore some cases and examples of business creativity, innovation and entrepreneurship in practice; these include:

- Apple and the latest iPad, etc.
- Dabbawala and quality in action; see TED <http://youtu.be/N25inoCea24>
- Atul Gawande's *The Checklist Manifesto* (Profile Books, 2011) and its value for simple, effective quality improvement
- Grameen Bank and the achievements of Muhammad Yunus in the provision of micro finance
- Rory's Story Cubes: a local example of successful innovation; see [www.storycubes.com](http://www.storycubes.com)
- The Salvation Army and Peter Drucker's reasons for admiring this organisation
- Richard Susskind's *The End of Lawyers* (Oxford University Press, 2010; see also <http://youtu.be/GJHv0vQHZug>) and the role of innovation in the professional services sector.

Many of the students are already familiar with mind mapping as a technique for creative thinking and find business model generation valuable as another addition to their management toolkit, especially if their preferred thinking style is visual.

Much can also be done to explore the contribution, potential and actual, of social media and Web 2.0 to new ways of doing business, regardless of sector or size. Managers, on an almost daily basis, need to develop awareness of emerging technologies and their potential as a source of competitive advantage.

Business model generation also provides an elegant format for the design, documentation and delivery of business presentations for peer assessment in pecha kucha format; this has in itself been perceived as a significant benefit of the communication processes require for successful use of Osterwalder and Pigneur approach.

### **The development of business model generation**

It is worth noting that Osterwalder and Pigneur's approach to business model generation introduced here is itself innovative: it was developed with 470 collaborators, in 45 countries, using a form of crowd sourcing; and, as Osterwalder mentions in his presentations, it has been self-published.

### **And there's more ...**

Business model generation has been very successful on Amazon and in High Street bookshops in recent months. I can also see how it might be used with business or management English teaching at upper intermediate level and beyond to get students to generate a lot of useful language as they describe how the main boxes in the model can be applied in their own experience and, perhaps at a more sophisticated level, to make some recommendations that can lead to business improvement for their department or the organisation for which they work.

### **Resources**

- The key book is: Alexander Osterwalder and Yves Pigneur, 2010, *Business Model Generation*, John Wiley & Sons, London; a 70 page preview is available at
- [http://www.businessmodelgeneration.com/downloads/businessmodelgeneration\\_preview.pdf](http://www.businessmodelgeneration.com/downloads/businessmodelgeneration_preview.pdf)
- Alexander Osterwalder spoke at Google in Dublin recently, introducing key ideas from the book for 30 minutes and then dealing with questions: <http://youtu.be/ynQasjpBTck> Other presentations are available on a range of *YouTube* channels.
- An iPad app, *Business Model Toolbox*, has been created to help with the development of models and the assist in their refinement. (A version for PC operating systems is promised.)

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