

Bright Ideas



Supporting Organizational
Excellence & Innovation

Taking care of business Building a sound model that fits

Articulating an organization's business model is not an everyday occurrence. Most days everyone is too busy doing the doing. Every organization has a business model, regardless of whether the organization is a company, a non-profit or a government program. Once your organization has identified the business that it is in, it's important to flesh out the model to ensure that all the elements are in place to support success.

Ensuring that the organization has a sound business model is usually triggered by specific events. The business model is generally set at start-up time or when a new program is introduced. Review and analysis of the business model are needed during restructuring, when there is a challenge to sustainability, or when the organization is drifting off course. Review may also be a planned component of the organization's business cycle.

The Business Models Revisited

An organization's business model says what it does and how it makes money doing it. The four basic business models are *creator*,

distributor, *landlord* and *broker*. Creators design or manufacture things. Distributors sell or distribute things. Landlords sell the right to use things. Brokers connect buyers to those who can supply things they need. The "things" can be financial assets, physical goods, human services or intangible (e.g., expert knowledge). (For more detail, read *Bright Ideas*, Summer 2010.)

In conjunction with the organization's mission, industry and sector, the business model affects the answers to questions that drive decisions about its future.

Creating Satisfaction and Value

The first step for any organization or program is to identify what service or product it specializes in and who its customers are. The organization may create, distribute, lease or make connections with respect to that product or service. The customers may be individuals or other organizations (i.e., business-to-business operations).

The bigger question to address is "Who must be satisfied in order for the organization to be sustainable?" Sustainability is used broadly here to include making an acceptable

profit (business), having enough income to fulfill one's mission (non-profits), or receiving a budget allocation that allows one to meet business plan objectives (government programs). While "the customer" is one party who must be satisfied for success, other key parties may include regulators, professional organizations and funders, such as foundations, individual and corporate donors, government (including elected officials) and taxpayers.

Once your organization has identified those who need to be satisfied, the next step is to identify what is important to them. A key concept here is *value proposition*. It is usually described as how your organization differs from competi-

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tors in a way that customers value. This is not a difficult concept for business owners to grasp, although sometimes businesses fail because they guess at the answer rather than surveying or talking to customers. Customer satisfaction surveys are common across sectors and industries, and good ones identify why customers are or are not satisfied, not just how satisfied they are.

Organizations may not pay enough attention to what other key parties besides customers value, which puts them at risk in the long term. For example, charity appeals that focus on the needs of the organization or its clients or its good work are not as good as those that focus on how the contribution will help funders/donors meet their goals or solve their problems. This approach treats the funder as a *partner* who is investing resources to meet a shared goal. The same principle applies to government programs competing for dollars at budget time. What will taxpayers see as a good use of public dollars and what do elected officials value?

Delivering the Goods

Being able to articulate the organization's value proposition for each customer segment and other key parties should be the core of the organization's marketing and public relations strategy. Delivering

on the value proposition is what builds relationships with customers and other partners. To do this, the organization must address the question of "Who must be satisfied for operations to go smoothly?" The answer identifies the costs of doing business in terms of time and money. Customer satisfaction with communication and the product or service has cost implications. Getting the proper licenses, certificates or accreditations to carry out key activities also take preparation time.

The key resources for smooth operations—and the organization's main costs—are its employees and suppliers. Suppliers ensure that the organization's space, equipment and services support it to carry out its work effectively and efficiently. An effective business model articulates the organization's resource requirements. Good communication and relationships with suppliers support negotiation, so that both parties are clear on what the organization needs and the supplier's constraints and capabilities.

An organization's staff are critical to its success. From a business model perspective, an organization must identify the number of staff required and the skill sets or knowledge base that must be hired for or developed in order to satisfy customer needs. Cost calculations

must include the wages and benefits required to obtain and retain the right staff, because turnover, frankly, screws up everything. But satisfying staff is not simply a matter of money; systems and structures must support staff to feel they contribute and are valued. A well-resourced workplace gives staff the ability to contribute effectively and have some control over their work life. While there are some generational differences in *what* makes staff feel valued, the business you're in also makes a difference. Valuing can involve labeling a product with its designer or fabricators' names, or a news release identifying the top salesperson that month. Bonuses are appropriate when staff's efficiency results in cost savings. Regardless of the form, the fleshed out business model must address the need to be valued in its cost structure if the organization is to preserve its most important resource.

The Bottom Line

Building a business model that achieves the right financial balance depends largely on attention to human factors. The key to success is understanding what's important to everyone the organization deals with and making sure they get it.

Check This Out

[The Business Model Canvas](#)

From Where I Sit



Planning ahead pays off

As we approach the stress season (AKA holidays), I am reminded how important planning ahead is to us, both as individuals and organizations. Planning for future growth or the need to build new markets is an essential skill for manage-

ment. Planning ahead is also the only thing that makes it possible for women to *enjoy* the holiday season with its extra events, special meals and shopping for just the right gift.

To discover my holiday season secrets, visit the [Priceless Professional website](#). I wish you all the very best this holiday season.



K. K. Biersdorff Consulting supports organizational excellence and innovation through an array of planning, research, communication and training services that take projects seamlessly from start to finish.