

The Miami Herald

Posted on Mon, Aug. 16, 2010

Is business model just a buzzword?

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Special to The Miami Herald

When asked, "Jack, what do you know about 'business models'?" I responded, "It's a buzzword that explains how a company makes money. It dates back some ten years to the late 1990's when Internet companies were slurping in millions of investment dollars on businesses that had no way to make money."

Digging deeper, I found countless innovative business models emerging as old ones started to crumble: Amazon.com, eBay, Apple, Dell, McKinsey, Swatch, Nestlé just to name a few. A.G. Laffley (P&G's CEO) in his book *The Game Changer* describes their innovative business model generation program and techniques.

But, the term is controversial. For fun, go to Google and type in "define: business model." You'll come up with hundreds of definitions ranging from clear-cut to extremely vague and confusing.

One expert even discards the business model concept saying, "I recommend you avoid the term altogether in your business plan."

My opinion?

A business model clearly describes the rationale of how an organization creates, delivers, and captures value. It's where innovation starts with an all-inclusive analysis and evaluation of an idea's impact and development requirements.

STAY STAGNANT?

Creating a new business is easier said than done. Over the years, the rate of new business creation has remained constant. According to the Kauffman Foundation the number of start-ups has hovered around 500,000 a year since the early 1990's. And, statistics show the 5-year "still alive" rate stays about 45 percent, 10-year, near 30 percent.

In the late 1970s, about 500 colleges and universities offered courses in entrepreneurship. By 2005, more than 2,000 did so. Yet there has been no corresponding surge in start-up activity. "The things we've been trying on campuses have had a marginal impact, if that. Clearly, some new thinking is required" said Dane Stangler, a researcher at the Kauffman Foundation.

Seminars and workshops on how to write a business plan have become something of a crutch. The Internet is flooded with "quick fix" easy-to-do traditional business plan solutions: from software packages, checklists and outlines, to just what the doctor ordered "cookie cutter" plans.

OR CREATE CHANGE?

John F. Kennedy once said, "Change is the law of life. And those who look only to the past or

present are certain to miss the future." Couple that thought with Alvin Toffler's observation: ``Change is the process by which the future invades our lives."

Take time to read Inc. magazine's special report on change, ``Revitalizing the American Dream." It's a practical, doable and responsible 16-point plan to create thousands of new companies and a million new jobs (visit: inc.com and search for the title).

The Launch Pad, started in 2008 at the University of Miami, is a step forward. Students and alumni are invited to submit a plain-English pitch about an idea for a company. Everyone who pitches an idea gets free advice and about 10 percent of applicants are selected to enter an individualized venture-coaching program, in which they work with volunteers from the local business community.

Also worth mentioning is The Business Model Innovation Hub. That's where the ``Business Model Generation" was written in collaboration with some 470 participants. It's the guidebook for those seeking to create innovative business models.

The guidebook's concept is easy to understand. It fosters easy description and manipulation of strategic alternatives based upon nine basic building blocks. These blocks include the four main business areas: customers, offer, infrastructure and financial viability. The business model becomes a blueprint for implementation through organizational structures, processes and systems. Download a 72-page preview of the book at businessmodelgeneration.com.

Want more information about business model generation tools? Visit the Small Business page at MiamiHerald.com/Business - click on Ask Jack: You ask and I'll answer.

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