

Instant Practice Builder

Rainmaker Protégé Course

Instructor Guide – Session 104
Introduction To Business Models

Instant Practice Builder

Rainmaker Protégé Course - Session 104

Introduction To Business Models

Notes:

Okay, we're going to go into some heavy stuff in this module, so be prepared to take notes. After you've been through the "Rainmaker Protégé Course" course, this part is going to seem a little obvious, and there is a lot of controversy about the difference between business models and business strategy.

It's almost a which comes first, the chicken or the egg type of question. (A question which, by the way, British scientists have answered. It's the chicken. Look it up.)

Because Business Strategy and Business Models are so intertwined, it wasn't until the go-go days of the DotCom bubble that the term took on it's own meaning.

The term was hardly heard before the web startups of the DotCom bubble began using the term to explain their operations to venture capitalists. During that time it became a catch phrase to explain all sorts of sins.

But, business models have been around since the beginning of business.

Instant Practice Builder
Rainmaker Protégé Course - Session 104
Introduction To Business Models

Notes:

One good, reasonably recent example, is Xerox. When Xerox began leasing photocopiers in 1958 so that businesses could afford their new product, they introduced a major change in their business model and that change, along with their technical innovations, propelled them to a position of dominance in the copier industry.

Understanding business models gives us a way to understand how a business makes money.

Many times this is the result of a newly developed technology.

But, the technology is not nearly as important as the way it is implemented.

After all, Hero of Alexandria, invented the steam engine some 2,000 years ago, but it wasn't until James Watt found a new way of implementing that technology and building a new business model that the technology became commercially viable.

Understanding this concept first will help you understand how your practice, or any practice, defines its competitive strategy, through the products and services you offer, how you charge for them and what they cost you to deliver.

Instant Practice Builder

Rainmaker Protégé Course - Session 104

Introduction To Business Models

Notes:

Understanding your business model and comparing your model to that of other practitioners gives you an understanding how you are different, and helps you identify each firm's competitive advantage, or unique value proposition.

Want to understand your business model?

Understanding the business model answers a series of questions essential to any business – who are your customers, what are their problems or needs, what do you intend to deliver to them, how can you deliver a solution to their need, and how can you inform your target market of your proposed solution.

Your business model is a framework that includes your revenue streams, and your cost structure. It includes the methods and techniques you use to measure your activities, and it includes a summary in the form of the unique advantage you hold over your competitors.

The concept came into vogue when the spreadsheet provided an easy way to test the financial implications of the narrative in a

Instant Practice Builder

Rainmaker Protégé Course - Session 104

Introduction To Business Models

Notes:

financial model which contained assumptions about costs, product demand, sales revenue and profit.

The financial outcome of changes to the narrative, or assumptions about product demand, etc. can be tested in the spreadsheet model.

During the DotCom bubble, investors demanded that the entire business strategy, processes and outcomes be summarized and modeled in such a way that different scenarios could be tested.

Once the narrative of the business model was reduced to a spreadsheet-based financial model that encapsulated and quantified all the important features of the proposed business, potential investors could ‘stress test’ the business assumptions ahead of their decision to invest.

This proliferation of business plans, spreadsheet analyses, and (with apologies to General Nathan Bedford Forrest) the rush to “git thar furstest with the mostest,” popularized the term to the point where it became studied and is finally being analyzed and understood.

To understand your own business model, you need to look at the “building blocks” of your practice. Some of these building blocks

Instant Practice Builder

Rainmaker Protégé Course - Session 104

Introduction To Business Models

Notes:

are strategic matters, some are tactical and some fall into both categories, but they all fit into your business model framework.

If you research business models on the internet for awhile, sooner or later you'll stumble across ideas such as Alex Osterwalder's Business Model Canvas, Ash Maurya's Lean Canvas, Rod King's One Page Lean Startup or Steve Blank's Lean Launch Lab.

They're all great tools, but I'm partial to the Lean Canvas by Ash Maurya, and it's the one that I used to form the basis for the “Rainmaker's Canvas.”

The thing I like most about Ash's is that it focuses on the needs of entrepreneurs more so than corporate or academic types, and is a simplified representation that includes important concepts from strategy and tactics right in the business model.

Of course, Ash's model is designed for the generalized entrepreneur, not the startup accounting practitioner, so I tuned it a bit to fit your needs when I created the “Rainmaker's Canvas.”

Another cute title, huh?

Instant Practice Builder

Rainmaker Protégé Course - Session 104

Introduction To Business Models

Notes:

Go ahead, download Worksheet 0-104, Rainmaker's Canvas and print it out. The Rainmaker's Canvas. You have to admit, I'm on a roll with this naming thing.

Study the components of the worksheet. It contains the typical components of an Accounting Practice Business Model, numbered in the order in which I feel they should be considered while creating the framework for your business model:

- 1) Target Market Segments – What niches or industry segments will you serve?
- 2) Market Needs or Problems – What problems will you solve for your clients?
- 3) Solutions – How will you solve your clients problems or fill their needs? What will you do for your clients?
- 4) Strategic Advantage – What advantage do you have that your competitors cannot easily duplicate and that clients cannot find in a substitute? What is your irresistible offer?

Instant Practice Builder
Rainmaker Protégé Course - Session 104
Introduction To Business Models

Notes:

- 5) Channels – How will you reach your Target Market, and how will you deliver your services and products to them?
- 6) Revenue Streams – What revenues do you derive from each solution you provide? What is involved in acquiring and serving new clients?
- 7) Resources – What resources will be required to deliver the solution you are offering to your market, and fulfill on your irresistible offer?
- 8) Key Activities – What Tactics will you employ to reach your Target Market and deliver your Difficult To Copy or Expensive To Replace Unique Solution?
- 9) Key Metrics – What activities do you need to track and measure?
- 10) Cost Structure – What is it going to cost you to deliver on your promise? Can you control the costs so that your offer is profitable?

Instant Practice Builder
Rainmaker Protégé Course - Session 104
Introduction To Business Models

Notes:

We'll start looking at each of these building blocks, one at a time, and when we've got a good understanding of the different parts of the generic business model framework, you'll be able to take a look at your own and that of your competitors.

Then, we'll start getting into how your business model works to guide you through your business strategy development and selection of tactics, and how both of those fit into your business model.