

Business Model - An Extended Navigation Model

We see “Business models?”

When we tell people what we do, we usually get blank stares. We build business models or data models. While business modeling is a new discipline, even when compared to other business modeling, our modeling is unique. Why? To make our modeling affordable for all business, we use a special system of standards, and we navigate from standard to standard.

Our challenge

Since we can not show how people use our models, our great challenge is finding familiar metaphors to generate interest our art. We have a general business model for display, but, thus far even our best friends have no interest in looking at it. We need these metaphors to help people understand our vision of a business model’s power. Thus far we have come up with two: check lists and navigation.

Lists and Navigation

Lists are powerful. All parts of our business models can be related to the familiar list concept, as in check lists or grocery lists. A model’s standards provide purpose statements and checklists for all aspects of business. These lists can be linked, manipulated, documented, diagrammed, filmed, and recorded. Why? The best metaphor for this new planning and control tool is provided by the navigation example.

Navigation

This article proposes to use navigation as a metaphor to display the power of business modeling. We realize many people do not pay any attention to the reference lines on a map. We wish there was a more familiar metaphor to use. Some “great” people do not even use maps. If you are one of these “great” people we will just say the business model will add value by leveraging effort already being expended. It will not add work; it will just change the timing of work already being done. Whether for service or product, this fancy system of check lists works the same for all types of business.

Measurement

Measurement is just as important in managing a business as it is in navigation. Plus, business and navigation share most measurement standards (time, expense, and milestone standards) which can be extended to provide complete business measurement standards, or a complete “business modeling standard”. Navigation measurement is based on a rather “simple” reference system based on two points, the North Pole and South Pole.

Common reference system

Similarly, a business model uses a common and simple reference system. For the same reason you need a reference when you are out in the middle of the pacific, far away from any physical reference points, you need to know where you are in relation to

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things you can't see when making business decisions. Like the reference lines on a map for a specific trip, a common reference system must be integrated into business "navigation".

Same map used for planning and control.

Strategy

In navigation you plot a specific course on a standard map. Then, as you travel you measure actual time and results and, at the same time, make corrections back to course, using the map to record and communicate the decision. Similarly, in business you can model your specific business strategy on a standard map and make corrections to course as you measure time and results; using the business model to communicate the decision.

Planning and control

Both navigation and business "maps" include planning and control information. Both are used as planning and control tools. Both include a course plotted through milestones and objectives.

User's view of the business model

Like an electronic navigation system which instantly displays a new course into the pilot's view, the business model will generate graphical displays and charts showing where you are, where you have been, and where you are going. These displays can be formatted to look the same as current plans, budgets, statements, reports and documents. But, since the model will make much of the decision making and information gathering a "one step" process, the decision maker is also gathers the information.

Periodicity - Because accountants have to divide continuous operations into arbitrary time periods, they must determine the relevance of each business transaction/ event to specific accounting periods. The shorter the time span, the more difficult it is to determine the proper net income for the period. This problem of allocation results in an interesting trade-off between relevance and reliability in financial reporting. The quicker the information is released, the more it is subject to error.

Summary – Business and Navigation Integration

Business models are composed of many views of a business; from sales and marketing to production operations to planning and control to accounting and forecasting. A business modeling standard will integrate these views like the measurements in navigation are integrated. For example: a mile is one minute on the circle between the North and South Poles, or one minute on the equator, or 2,000 yards. From yards we get to feet and inches, and from minutes we get to hours and days. Since businesses also measure time and completion milestones, business measurement is very similar to measurements in navigation.