

SUMMARY: FEW BUSINESS OWNERS ARE AWARE OF THE DIFFERENCES BETWEEN A BUSINESS PLAN AND A BUSINESS MODEL, YET BOTH OF THESE DOCUMENTS ARE DESIGNED TO HELP A COMPANY GROW. WHILE EACH HAS ITS OWN MERIT, THE BUSINESS PLAN CONTAINS INFORMATION THAT STAKEHOLDERS WANT TO KNOW, WHILST THE BUSINESS MODEL FOCUSES ON HOW THE COMPANY WILL CREATE VALUE. ALL TOO OFTEN, IT ISN'T CLEAR TO THE ENTREPRENEUR OR BUSINESS OWNER WHICH DOCUMENT WOULD WORK BEST; THEREFORE, EXPLORING THE DIFFERENCES BETWEEN THESE TWO APPROACHES, ALLOWS US TO DETERMINE WHICH WOULD BE MORE BENEFICIAL.

Business Model VS. Business Plan

by Ben Benson

THE PATH TOWARDS success for any business should be exciting, enjoyable and rewarding. However, there are times when getting and keeping a business on track can be filled with risks, choices and challenges. Whether you are operating an established company or you are new to the world of industry, there is no question that every entrepreneur and business owner wants to find strategies that lift their ideas to a higher level. Nonetheless, with so many conflicting ideas on helping a business grow and in our attempt to reach success, we're not always sure which methodology to follow.

Many educators and even successful business owners recommend starting with a "Business Plan," which serves to provide extensive insight into a business's venture as well as offering financial details. Other business experts advocate the "Business Model," as being far more beneficial. For entrepreneurs preparing for a start up venture or for the business person that has already reached a modicum of success, there are distinct differences as to the value of a business plan versus a business model. Since both are unique in premise and productivity and to help you understand whether you should choose a business plan or business model as your tool of choice, let's take a few moments to

explore the benefits of these formal documents. And see how they apply to your particular business.

We'll start with the business plan. According to most definitions, a business plan is a document that describes the nature of your business, which includes aspects such as an executive summary, competition, a sales and marketing strategy as well as financial projections. A business plan is meant to serve as a road map, but it is also primarily used when seeking the attention of investors, financiers or loan companies. A business plan clearly demonstrates a company's potential and allows investors to see precisely where the company intends to go. It might also be viewed as a blueprint that captures a company's business objectives from the initial concept all the way to the projected goals. Requiring many detailed pages, a business plan's goal is to avoid veering off in any unnecessary direction, keeping a business on track at various stages of the business. In brief, a business plan should avert the wasting of valuable time, energy, money and resources.

In contrast, a business model describes how your company will create, deliver and capture value for the customer. More appropriately, it may come under the heading of a business strategy; one that clearly defines how you intend to fulfill your customer's

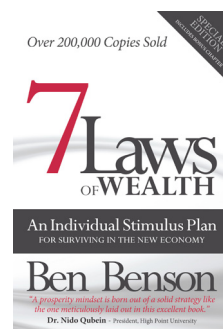
needs. Focusing in on the purpose of the company, the business model defines the infrastructure as well as the company's offerings, and takes into account a wide range of perspectives. In essence, a business model identifies how the business will deliver value to its customers in addition to determining what a customer needs and wants. In other words, a business model's purpose is to demonstrate how a business endeavour can keep the customer happy all whilst the business owner continues to make a profit.

Through an effective business model, we can delve into the potential for future opportunities, including finding customers, advertising, differentiating our products or services, charging appropriately, defining methods for delivering a service or product, and ensuring customer satisfaction. A business model can help innovate and transform a business and should reflect on what a company learns from its customers.

In brief, a business plan is stationary, while a business model demonstrates activity. I believe each of these documents have their place, however,

I strongly believe some business owners or entrepreneurs spend a too much time preparing a business plan when a business model would be more functional and practical. Because a business model focuses on the various aspects of a business that brings value to the customer, it should always result in a profit to your business and the creation of value. In my opinion and in most instances, you will always do best by setting up a business model over the business plan as a initial step as it will more favorably aid in augmenting the efforts of a growing business and clearly state how cash flows into the business.

In summary, a business plan will demonstrate how you intend to execute your business model in addition to identifying your target market, outlining the demographics and financials, whilst helping stakeholders understand the risks and rewards. Business plans definitely have their purpose, but when the goal is to discover ways of putting your ideas to work, and bringing profit to your venture, I believe a business model will always be the smart choice.



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