

Practitioner information

Introduction

This resource helps learners understand the meaning of 'business model', explore simple examples of what information a business model might typically contain, and understand its purpose and importance. They consider how the business model establishes the basic principles of why the business exists, tests the founders' assumptions, and acts as a top-level guide for its development and growth.

Topic links

- Enterprise
- Skills for employability, teamworking, and project management
- Commercial principles in engineering

Suggested learning outcomes

Learners will be able to:

- describe the purpose of a business model and what it includes
- explain the importance of vision and values in an innovation-driven enterprise
- list some revenue models and suggest how each one creates customer value.

Why this topic is relevant for engineers

Every engineering project or product has a purpose. Aggregating the purposes of projects or products within an engineering business reveals

the overall purpose (or purposes, if it is very large) of the business. Business plans define a new enterprise's purpose from the outset to ensure its product or service decisions fulfil its purpose.

When starting a new enterprise, it is important to step back from specific product or innovation ideas and test the founders' assumptions about why they are starting the business, who they will serve, and with what, helping to lay the foundations for a viable startup that can grow and thrive.

Delivering the theory: Business models define your purpose

- Highlight that exactly what a business model (and strategy) is, and what is in it, is not completely fixed – the terms are used in different ways across the business world. The same applies to terms like 'mission' and 'vision' as well, which some businesses refer to in a different way to what is presented here.
- Discuss with learners why it is important for a business and its owners to agree and define why it is in business and the difference it aims to make in the long term.
- Make the distinction between mission (what the business does now) and vision (what future it aims to create, or help to create). Regardless of terminology, these agreements and definitions are vital.
- Note how some engineering specifications may refer to 'business model' to describe the functional organisation of teams and projects around a traditional/functional or agile model, which learners may explore separately.
- Discuss why mission, vision, and values are useful things to research when applying for a job at any stage of an engineer's career.

Practitioner information

Delivering the theory: Mission, vision, and values

- These are fictitious examples of realistic enterprises that apply the latest engineering technologies.
- Help learners distinguish that the vision is, in each case, a 'best' future that the company aims to achieve.
- You may wish to use your college's mission, vision, and values as an example. Its mission might be to deliver excellence in supporting learners as they achieve their qualifications, but its vision might be to be the first choice in your area to help learners develop qualifications, skills, and qualities for employment and life.
- Discuss the importance of values: like people, companies are judged by their behaviour, and it is important to 'live' these values as employees and as an organisation.
- Highlight how values matter for employees and customers: corporate values guide employees to deliver customer value (performance, price, service, etc) but also form part of this value, for example, by providing the best-quality experience as a supplier or partner.

Delivering the theory: Products, services, and revenue models

- Ask learners to list engineering products, from the smallest they can think of (for example, a tiny part for a sensor) to the largest (a wind turbine or ship).
- Products include both complete machines or items, and the parts they contain. To explore this further, groups could 'disassemble', through discussion, a drone, robot, or wind turbine to suggest what parts they contain.
- Cars provide an example of different sales models, from buying outright to leasing (with an up-front payment and optional final payment) or subscription (a fixed monthly fee including all servicing and other costs aside from fuel or recharging).
- Discuss why product-as-service may be valuable to customers: they avoid large up-front costs and can spread the cost by regular payments or paying on demand.

Delivering the case study: Transforming the business model

- Note that MachineCo is the sole distributor of these CNC machines, which suggests that there currently is no direct competition for the kind of machining it offers.
- Discuss what, from a customer point of view, the new enterprise offers compared to the existing company (outsourcing a process, which achieves the same outcome – and which itself will be an important business decision for their customer companies).