**Technology Entrepreneurship**

Business Model Canvas Design vs. ESSO Business Model Design

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Entrepreneurs often structure a business around a product or service that is created to solve some problem or need consumers may have. For the business to survive, this product or service must be purchased by the intended consumer for the business to turn a profit. However, reaching the end user is often a challenge as it is hard to portray what the product does or why the user needs it. To accomplish this, a business model is often created to provide context to the consumer as to what the product is and what it does, and more importantly, why the consumer needs it.

A business model is “a framework by which you extract from your customers some portion of the value your product creates for them. It is the idea that the amount of money your venture gets paid is based on how much value the customer gets from your product, and not some arbitrary markup based on your costs” (Aulet B, 2013, p. 166). There are many other definitions of what a business model is specifically, but there is a general agreement that a business model is how a business creates value for their product, and how that business intends to distribute the product to consumers. “A business model is supposed to answer who your customer is, what value you can create/add for the customer and how you can do that at reasonable costs” (Pahwa A, 2021). At its core, a business model aims to consider the customer, create and capture value, identify all competition, and identify the distribution channels (Aulet B, 2013, p. 166).

There are many different types of business models. In the classic sense, a few are manufacturer, distributor, retailer or franchise (Pahwa A, 2021). A manufacture models their profits by creating a product out of raw materials, distributors buy product from manufacturers and sell them to retailers or the general public, retailers buy product from either manufacturers or distributors and sell to the general public, and franchises adopt their parent’s business model business model without creating a new product and pay royalties to use their branding (e.g., McDonalds) (Pahwa A, 2021).

In a similar fashion, technical entrepreneurship also relies on a business model for success. Arguably, in terms of digital technology, a business model carries a heavier weight to it as technology is changing day to day and get quickly causes a business model to become obsolete. A business model can make or break a business and if your model becomes out of touch with the market, it can have a detrimental effect on your business almost instantaneously. Choosing the right model for your business is a key factor in the longevity of your business as it provides a plan of sustainability for the business. Two popular model designs that have gained some notoriety within the technical entrepreneurship world are the “Business model canvas” and the “Environment-Strategy-Structure-Operations” (ESSO) models.

The “Business model canvas” is designed on a “canvas” to present all required information of the business model in a clear and easy to read fashion. Information is presented on 1 page and organized into boxes labelled by categories such as customer segments, value proposition, revenue streams, activities, resources, structure and cost (Business Models Inc., 2021).

The “ESSO” business model is designed to present similar information as the “Business model canvas” design but in a Venn diagram with labelled categories. These categories include environment, strategy (market opportunities, competitive advantage, etc.), structure, operations (key activities, resources, competitors, etc.).

While these designs have some similarities, there are key differences that make each stand out as the better design in certain circumstances. For example, the “ESSO” design model considers the environment (in addition to Political, Economic, Social, Technological, and Legal factors) and how it affects the business, competitors, suppliers and customers. In most cases, this variable has little to no impact on any of these entities. However, in some specific circumstances the environment could be detrimental to all of them. If your business focuses on supplying food to cities way in the north of Canada, the environment in certain times of the year can hinder your ability to deliver goods. If there is a snowstorm and you need to fly goods in by air, that is likely not going to happen and delay shipments and, as a result, have major impacts on profits and delivery schedule. The “ESSO” model is a strong design when there is a requirement for a knowledge management system. For example, large tech companies have many moving pieces of software that come together to form their product or service. If you want your product to survive, the information of how these components work needs to be documented and save somewhere for future employees to access and retain that knowledge in the case of the original designers of the components leaving the company and taking that knowledge they have with them.

The strengths of the “ESSO” model does not mean that the “Business model canvas” design is not a viable design model as well. Its major strength over the “ESSO” is that it allows the vision of clear and concise relations between the components of the business model. “It allows the business to understand how each aspect relates to the others; how the functions, activities and processes interlink and interlock. It gets you to think about your business in a more systematic and formal way, ensuring that each area is effectively covered to produce a more comprehensive and considered picture of the business” (Advantages of the Business Model Canvas, 2020).

In a digital technology scenario, I would choose to use the “Business model canvas”. My reason for this is that the strengths of this design model align better with the process and structure of a tech company. This design has a greater focus on providing as much information as possible with the least number of words as possible. The concentration is on quality rather than quantity (Advantages of the Business Model Canvas, 2020). It focuses on the key factors of each component of the business model and provides insight into what is at the heart of each component. As a result, it is quick and easy to develop such a model but more importantly it is also easy to iterate over the design and make changes as needed because tech is a fast paced and changing field day to day.

I feel the “Business model canvas” represents my vision of a core because it is easy to depict the key factors of each component of the model. For example, the “value proposition” component describes the product or service and what it does for the customer. This is the focus of a “core” of any business, and I feel this model helps envision the core of a business the best because of this. “It is the central pillar around which all the other elements revolve; it is the defining component of the Business Model Canvas. It is the reason why the business exists; it determines the core behaviors and activities of the business, providing the guiding direction for all aspects. An impactful, engaging and resonant Value Proposition is vital to the overall success of any business model.” (Advantages of the Business Model Canvas, 2020).

References:

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