

# A Business Model, Contribution to the Unit Commander's Management

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## Introduction

**A**t present, the environment in which organizations develop is rapidly evolving, constantly demanding that the goods or services they offer comply with the features that society expects and values.

The Chilean Air Force (FACH) (hereinafter Air Force) is not alien to this environment. Moreover, as a permanent institution of Chile, it is an agent that constantly contributes to the development of the country, requiring from it a professional, modern, efficient and transparent performance.

Since 1997, Chile has had public policies designed to promote planning and management control; and it is in this context that the FACH requires formal and integrated development of management strategies that allow it to guide its internal and external actions; maintaining a permanent alignment with the values, principles and elements that make up the institution's strategic focus.<sup>1</sup>

The institutional function is permanently related to elements of its internal environment, such as labor relations, the ability to align and standardize<sup>2</sup> its main processes; and elements of its external environment, such as public policies, economic situation, concerns of society, among others. These relations are those that the institution, in all its levels of responsibility, must know and face in a proactive and efficient manner, to keep up with the demands that society and the State demand from the Air Force.

These are the challenges currently faced by officers who are responsible for the command of units; challenges that require the commander not only to manage assigned resources (human, material and financial) internally, but also to keep in mind the impact of their management inside and outside the institution.

To face these challenges, the commander requires the knowledge and tools that allow him to strengthen his management in the areas of personnel, infrastructure, resources, technology and processes; tools that allow him to finally deliver the most efficient product or service that the assigned mission requires. This need is the reason for the development of this article, with the purpose of facilitating the knowledge and use of tools that contribute to his management.

## Background

The development of tools related to organizational planning and management has been a constant concern in business management. The study and development of tools that favor the growth and sustainability of private or public organizations is the focal point of research over time. Therefore, the task of strengthening managements kills of unit commanders allows the integration between management's own developments and the *management*<sup>3</sup> of a military unit.

In this way, this article seeks to associate and propose the use of the "business model" management tool that allows organizing and facilitating the management of units in the Air Force.

In the first place, and as a measure of approach to the purpose of this article, it is necessary to know the concept of the *business model* and what are its implications in the management of organizations.

One of the most complete ways to visualize an organization is to identify and formalize the business model. Knowing it implies visualizing in a simple and practical way how the organization operates, what resources it uses and needs to deliver its value proposal,<sup>4</sup> according to the relationships that are produced to articulate the fulfillment of its mission.

## What is a Business Model?

For authors Evans and Lindsay (2008), the business model is a tool that simplifies the relationships of the creation of value and strategy; it helps to focus resources and efforts on improving the most important relationships within an organization.

For Osterwalder and Pigneur (2011) “a business model is a conceptual tool that, through a set of elements and their relationships, allows expressing the logic by which a company tries to earn money by generating and offering value to one or several customer segments, the architecture of the firm, its network of allies to create, market and deliver this value, and relational capital to generate sources of profitable and sustainable income”. Complementing the above, Clark T. (2012) states that the business model must be structured at least based on the following modules: customers, added value, distribution channels, customer relationships, revenues, key resources, key activities, key associations and costs.

Finally, and bearing in mind the aforementioned definitions, for this article the business model will be considered as a tool that will support the person that has the responsibility of exercising command of a unit, allowing him, in a simple way, to align the resources of the organization, identify communication channels with their environment, focus on the most relevant relationships for the creation of value in the service that your organization offers through the fulfillment of its mission.

## Canvas Model For Supporting The Unit Commander’s Managements Tasks

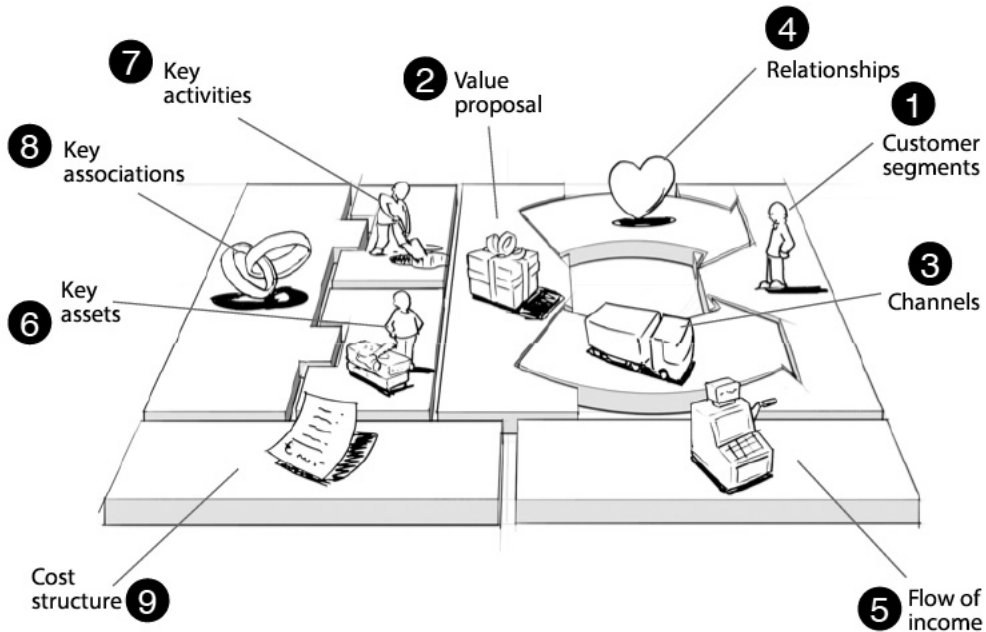
The tool that is proposed to be used to organize and facilitate the management tasks of unit commanders is the CANVAS model, proposed by researchers Osterwalder and Pigneur (2011).

The CANVAS model is a simple and integrated methodology that allows the development and visualization of the optimal business model in a single structure (canvas), to create value and optimize operations and the use of resources. Therefore, it is based on this model that it will be proposed to articulate the main processes and resources that interact in an institutional unit, with the purpose of strengthening the management tasks of their commanders.

### *How does it work?*

This model is based on the development and distribution of a value proposal in the unit. This will lead to the need to guide the main resources and processes, forcing to establish relationships with internal and external agents.

The CANVAS model is divided into nine basic modules that reflect the logic that an organization follows when developing its operation. These modules are: customer segment, value proposition, channels, customer relations, sources of income, key resources, key activities, key partners and cost structure (in this case, budget). These nine modules cover the four main areas of an organization: resources, processes, clients and finances, always under the wing of a defined strategic focus.



**Nine modules of CANVAS.**

Source: Clark, T., Osterwalder, A., Pigneur, Y., & Lacey, M. (2012). *Your business model Deusto*. Key aP-34

*Detail of the Nine CANVAS Modules*

The CANVAS is the physical form in which the main elements that compose and interact in the business model of a unit are presented. Next, the detail and intention of each module, already assimilated to the reality of an institutional unit, will be presented:

1. Customer segments. The objective of this module is to identify and group the clients or organizations that receive the service of the unit; describing their needs, knowing their geographical, demographic, and cultural information, etc.
2. Value proposal. The objective of this module is to identify and define the value created for each customer segment. It is important to identify why the client prefers me. The value proposal must communicate what the company hopes to do better or differently for its clients than the competition.<sup>5</sup>
3. Channels. The objective of this module is to detail how the unit comes to communicate with customer segments and the way in which it delivers its value proposal; this can be direct or indirect.
4. Relationship with the client. The objective of this module is to clearly define the type of relationship you prefer to develop with your clients; which can be personal, automatic, self-service among others. It is important in this module to answer questions such as what are the time and budget resources used to maintain contact with the user organizations of the unit's clients. In general, if the service that is delivered is of high importance, then the client organization will expect to have a closer relationship with the unit.

5. Income flow. The objective of this module is to identify the sources of income that the unit has, so that the commander can have easy access to its revenue structure, which in most units will be the fiscal budget.
6. Key assets. The objective of this module is to identify which are the key resources to sustain your value proposal and fulfill the assigned mission. For example, key resources for most organizations are as follows:

**Human Resources:** All organizations need people, but for some business models' human resources are an essential asset;

**Physical Resources:** The land, buildings, machines and vehicles are essential elements of many business models;

**Intellectual Resources:** Intellectual resources include intangible assets, such as brands, methods, systems, software and patents developed by the company, or copyrights;

**Economic Resources:** The budget, cash, lines of credit or financial guarantees are economic resources.

7. Key activities. The objective of this module is to know what the most important thing needs to be done to achieve the assigned mission (the main processes that sustain the service that the unit delivers). Considering the value proposal, the distribution channels and the relations with the other units, necessary activities are defined to deliver the goods or services that the unit has as its mission.
8. Key associations. The objective of this module is to identify the need to make strategic alliances with other units, suppliers, or organizations outside the institution, etc. This section describes the suppliers, partners, and associates, with whom we work so that the unit can develop its mission. It is important to think about how important they are, can they be replaced?
9. Cost structure. The objective of this module is to identify and specify the main costs of the unit. Know which activities and resources are the most expensive. In the public sector, the degree of efficiency with which costs are managed is important.

The great contribution of the CANVAS is that the nine modules that structure the business model of a unit (in this case) can be identified and visualized in a simple and fast way. It is important to highlight that in this model the value proposal of the unit is located as the central axis from which the analysis of the model is born. The channels and types of customer relationships are determined according to the customer segment or segments that have been identified. The activities and resources are determined by the key partners of the unit. On the other hand, there are two modules that support the canvas; these are cost structure and the unit's source of income.

### *How do i Prepare It?*

Now, the step from theory to practice is not always simple; therefore, we propose a step by step process that will help the unit commander in the understanding and development of the canvas to be created.

For the above, it is always simpler to follow an example, in this case the CANVAS proposed by the author (for academic purposes) is for the Air Force's Aeronautical Polytechnic Academy.

**Step 1**

Form the work team. In this step it is suggested that the commander meet with his/her staff, air staff and/or group of advisors, to clearly identify who is creating value for and who their most important clients are. Example: for the Aeronautical Polytechnic Academy, the working group can be the sub-directorate and the group of advisors that the director requires. The Academy, in this case, must identify who their client, or clients are, proposing for this example the institution itself (because it is the one that receives the graduate officers) and the community.

**Step 2**

Develop and suggest the value proposal of the unit. Considering the mission and vision (if not existing, it is suggested to propose it), the value proposal must be formulated. It is convenient to remember that the value proposal is the declaration of the unit that identifies those attributes<sup>6</sup> that differentiate the service that is delivered, and that the client values (it is recommended to reflect a maximum of three attributes). Example: before developing and suggesting the value proposal, it is necessary to identify and understand the mission and vision of the unit.

**Mission:** *The mission of the Aeronautical Polytechnic Academy is to provide professional undergraduate and postgraduate academic education and specialization, with the purpose of teaching, training and hone the human resources required by the Air Force for the fulfillment of its mission and / or for the benefit of the development of national aeronautics. Also, develop studies, plans and programs of research and extension, in the scientific, technological, aeronautical, space and related disciplines, which contribute to increase and enrich the transfer of knowledge related to aeronautics and space activity.*<sup>7</sup>

**Vision:** *To be recognized as a prestigious Academy, both institutionally and non-institutionally, inspired by the fundamental values that govern the Chilean Air Force, committed to its students and offering high-quality professional and academic degrees. In addition, to be a benchmark in the aerospace field with regards to scientific and technological research, with broad institutional recognition, as well as from the national and international community.*<sup>8</sup>

**Value Proposal:** *Considering the mission and vision of the unit, the Value Proposal should be proposed, which will be the central axis of the CANVAS (it is important not to confuse these three elements of the Strategic Focus of the Unit, the mission and the vision are strategic statements that guide and reflect the purpose of the Unit and how it wants to be seen in the near future. On the other hand, the value proposal is directly related to the perception that the customer (defined) has of the service delivered). 'The Aeronautical Polytechnic Academy is recognized for teaching undergraduate, postgraduate and specialized courses; in an integral, quality and cutting-edge manner'”(author's proposal).*

**Step 3**

Complete each of the unit's CANVAS. For the above, the following questions are proposed, which were developed based on what was proposed by the researcher García J. (2010), and which will allow the unit commander and his work group to direct the conformation of the CANVAS; that is, its Business Model, in a simple and easy-to-understand format.

Module No.	Guiding Questions
1.-Client Segments	Which organizations are my customers? Can I differentiate and describe who receives the goods or Service provided by my unit?

2.-Value Proposal	What is offered to the customers in terms of product and services? What are the attributes of my product or service that my customers value? What makes me different from other units?
3.-Channels	How do I deliver de goods or services to my customers? Through which channels do I interact with my customers?
4.-Relationships	What types of relationships do I build with my customers? How do I manage these relationships? Do I have a strategy for this?
5.-Flow of income	What is the structure of my income? ¿Cómo es el comportamiento de mis ingresos?
6.- Key assets	What are the most important assets to accomplish the mission?
7.-Key activities	What are the main processes that maintain the development of the good or service the unit provides?
8.-Key associations	Who are the most important Strategic allies to accomplish the mission? Which internal activities could be outsourced?
9.-Cost structure	How is the cost structure? What are the most important costs to accomplish the mission?

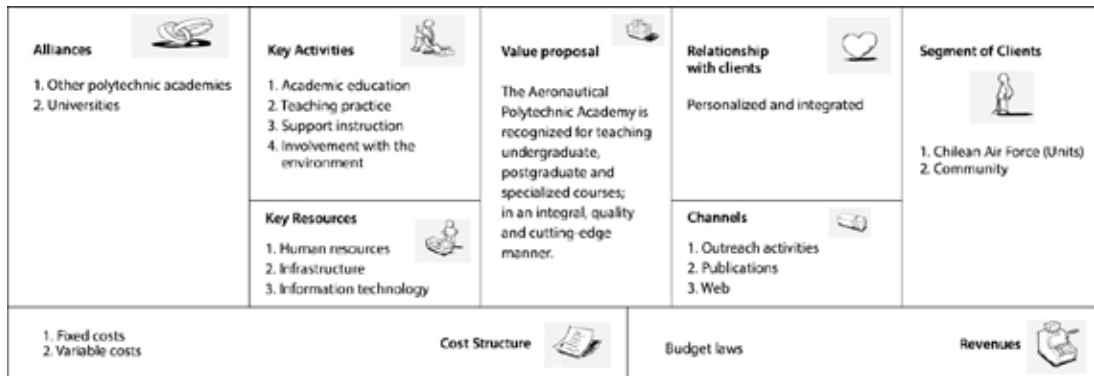
**Guiding questions to complete the unit’s CANVA**

Source: Author’s creation based on Garcia J. proposal (2010)

### Introduction of the Unit’s CANVAS

At this point, the information of each of the modules is consolidated and the unit’s canvas is finally structured, ensuring that it is simple to understand and articulated around the value proposal.

Example: Aeronautical Polytechnic Academy Canvas



**CANVAS of the Aeronautical Polytechnic Academy (developed by the author for academic purposes).**

Source: Author’s creation, based on the proposals by Osterwalder, A., & Pigneur, Y. (2011).

Finally, at this point the CANVAS allows the unit commander to know and identify the most important elements and relationships that sustain the fulfillment of the unit’s mission, and, therefore, favors the integration of instances of innovation and improvement, having as its center the value proposal that the internal client recognizes and values.

### Conclusions

Finally, the need to develop and implement instances of improvements in institutional management gives way to the integration of new management tools that allow the units to materialize their short, medium, and long-term objectives without deviating from the main purpose granted by its institutional mission.<sup>9</sup>

However, these processes are increasingly complex to face, due to the characteristics of today’s society, where speed, transparency and quality are frequent attributes that society needs from the

institution. Considering the above, the development and use of a business model for an institutional unit (as proposed in this article) takes fortitude in order to maintain the orientation, alignment and control of the decisions that are adopted in daily activities. Likewise, due to its simplicity and integration, it allows each of the members of the unit to know and understand the different relationships that the commander has structured for the fulfillment of the mission of his unit.

The proposed business model is a dynamic tool that must be adapted over time, both to the changes presented by the units that receive the goods or services, and those with which it is related. Finally, the structuring of the business model requires much needed time and effort since it will determine, in an important way, the success that the commander will have.

#### Notes

1. Strategic Focus: Concept that encompasses the main elements of an organization's strategic structure such as mission, vision, values and value proposal.

2. According to the ISO (International Organization for Standardization, 2018), standardization is the activity whose objective is to establish, whether facing real or potential problems, dispositions destined for common and repetitive uses, with the purpose of obtaining a level of optimized structuring in each context, which could be technological, political or economic.

3. Management: For Henry Fayol "Management is predicting, and planning, organizing, manage, coordinating and controlling". Fayol, H. (1918). *Administration industrielle et générale* (Vol. 2). Dunod et Pinat.

4. The Value Proposal is defined by researchers Kaplan R and David N. as that element of the strategic focus that defines the company's strategy for the customer, describing the unique combination of product, price, service, relationship, and image that a company offers a target client. The value proposal should communicate what the company intends to do better or differently than the competition for its clients. Kaplan R. & Norton D. (2007). *Mapas Estratégicos (Strategic Maps)*. Barcelona: Gestión 2000.

5. Kaplan R. & Norton D. (2007). *Strategic Maps*. Barcelona: Gestion 2000.

6. Attribute: Each of the qualities or characteristics of a being.

7. Chilean Air Force. (2018). Aeronautical Polytechnic Academy. Accessed 10 April 2018 from [http://apa.fach.cl/html/ACA\\_mision\\_vision.html](http://apa.fach.cl/html/ACA_mision_vision.html)

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