

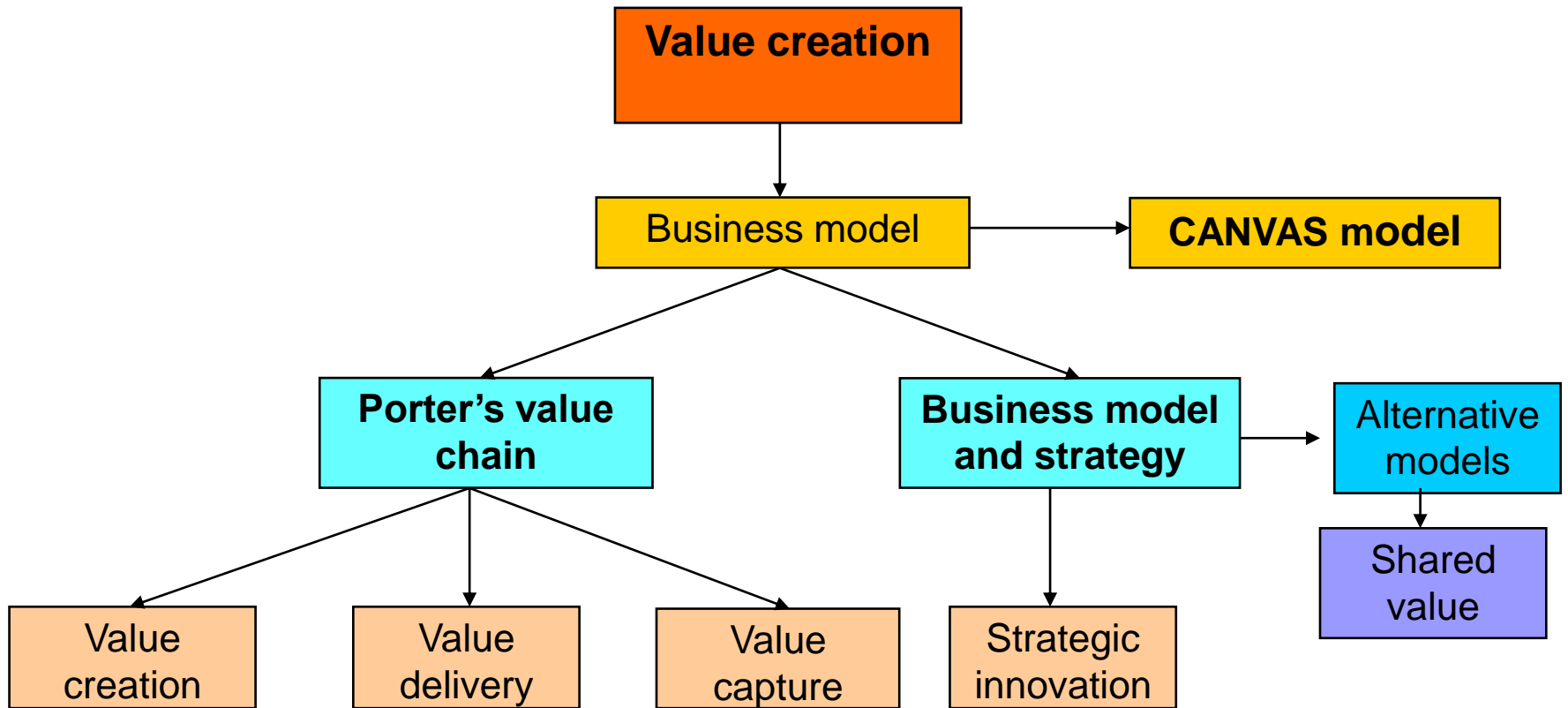
Lesson 3. Strategies based on value creation

Basic references:

- Johnson, G., Whittington, R., Regner, P., Scholes, K., & Angwin, D. (2017). Exploring Strategy: Text and Cases. Pearson Education Limited.
- Thomson, A., Peteraf, M.A., Gamble, J.E., & Strickland, A.J. (2020). Crafting & Executing Strategy. Concepts and readings. McGraw-Hill Education.
- Casadesús, R. (2004), “Dinámica competitiva y modelos de negocio”. Universia Business Review, cuarto trimestre, nº 4, pp. 8-17.
- Porter, M. E. I Kramer, M. (2011): «La creación de valor compartido». Harvard Business Review

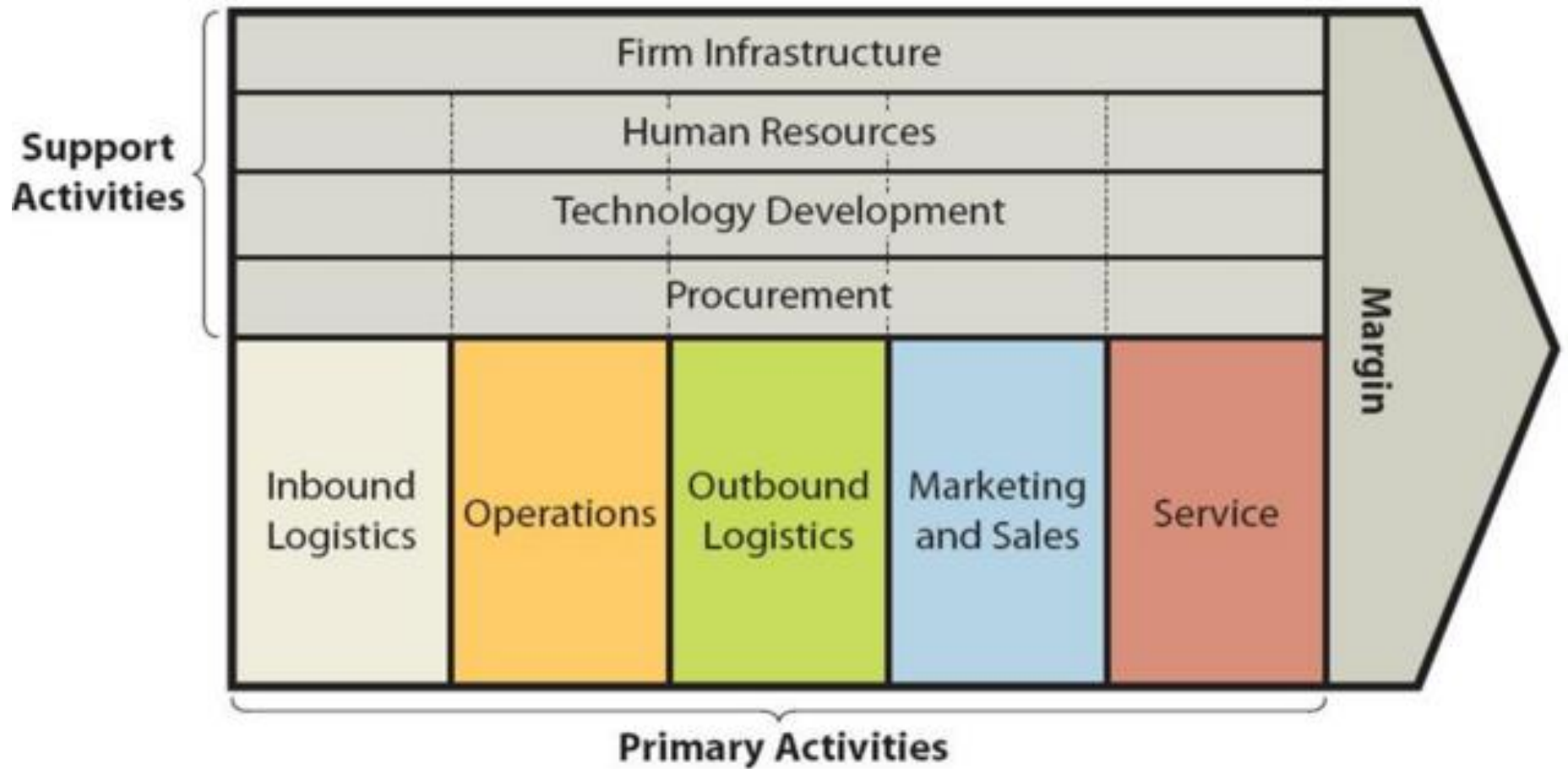
Lesson 3. Strategies based on value creation

- 3.1. Business model concept and value creation
- 3.2. Business models patterns
- 3.3. Canvas business model: the triple layer
- 3.4. Business model and strategy: creation of shared value



3.1. Business model concept and value creation

- Porter's value chain:
 - Activities that generate value in the company
 - Horizontal and vertical rings
- Business model:
 - Tool through which a company creates, delivers, and captures value
 - Virtuous cycle: relationships between elements of the business model: profit, prices, costs, and production
- Value creation: key resources and capabilities
 - Which key resources require our value proposition?
 - Which key activities require our value proposition?
- Created value:
 - Capturing value for company
 - Delivering value to customer
- Added value: value created by company – value created by competition



3.2. Business models patterns: value capture and delivery

Delivery of value (to the customer)

Price paid – value awarded

- Market segment:
 - Who do we create value for?
 - Who are our main customers?

- Value proposition:
 - What value can we offer customers?
 - What customer problems can we help them solve?
 - What customer needs can we meet?
 - What products/services can we offer customers?

3.2. Business models patterns: value capture and delivery

Value delivery

- Channels:
 - Through which channels can customers be reached?
 - Types of channels, integration between them, efficiency, profitability.
- Customer relations:
 - What kind of relationship do customers expect?
 - What are we really doing?
 - Costs and integration with rest of model.

3.2. Business models patterns: value capture and delivery

Capture of value (for the company) Price received - cost

- Sources of income:
 - Customer acquisition and loyalty
 - Sales and revenue
- Cost structure:
 - What are the most important costs in business model?
 - Which resources are cheapest?
 - Which activities are cheapest?

3.3. Canvas business model: the triple layer

- Alexander Osterwalder (2008):
 - Entrepreneurship - innovation
 - Very simple methodology

- 9 steps:
 - Segment customers: business opportunities
 - Defining value proposition: innovative and different
 - Delimit communication and distribution channels
 - Establish relationships with customers
 - Determine economic sources of business idea
 - Identify key resources and capabilities
 - Know the key activities that will give value
 - Identifying key partners: networking strategies
 - Cost structures

The Business Model Canvas

Designed for:

Designed by:

Date:

Version:

<h3>Key Partners</h3> <p>Who can you rely on? Who can you help? What key resources do the supporting partners bring? What key activities do the partners perform?</p> <p>Examples: Distribution channels Suppliers of raw materials Manufacturers of key components Partners in R&D, especially start-ups</p>	<h3>Key Activities</h3> <p>What key activities do you perform? (Processes aspect) Key Activities (Challenge) Customer Relationships? Revenue Model?</p> <p>Examples: Production Software development Logistics</p>	<h3>Value Propositions</h3> <p>What value do we deliver to the customer? Which one of your customer's problems are we helping to solve? What bundles of products and services are we offering to each Customer Segment? Which Customer Needs are we addressing?</p> <p>Examples: New products New services New channels New customer experiences New networks New convenience New performance New design New cost New risk reduction New convenience New status</p>	<h3>Customer Relationships</h3> <p>What type of relationship does each of our Customers expect us to provide? Which types have the most value? How are they integrated with the rest of our business model? How costly are they?</p> <p>Examples: Personal assistance Self-Service Automated customer service Communities Co-creation In-person</p>	<h3>Customer Segments</h3> <p>Who are we creating value? Who are our target segments? Who do we serve? Who do we ignore? Who do we exclude?</p>
<h3>Key Resources</h3> <p>What key Resources do we have? (Processes aspect) Key Resources (Challenge) Customer Relationships? Revenue Model?</p> <p>Examples: Channels Manufacturers of key components Partners Capital</p>		<h3>Channels</h3> <p>Through what channels do our Customer Segments want to be reached? How are we reaching them now? How can we reach them better? Which channels work best? Which ones are most cost-effective? How can we integrate them with Customer Segments?</p> <p>Examples: Direct sales Retail Sales force Partners and intermediaries (e.g. distributors, agents, resellers) Company website e-commerce Partners and intermediaries (e.g. distributors, agents, resellers) Company website e-commerce Partners and intermediaries (e.g. distributors, agents, resellers)</p>		
<h3>Cost Structure</h3> <p>What are the most important costs inherent in our business model? Which key Resources are most expensive? Which key Activities are most expensive?</p> <p>Examples: Raw materials Production Distribution Marketing Research and development Personnel Infrastructure Overhead Rent Utilities Transportation Insurance Legal Accounting Software Hardware Office space Equipment Inventory</p>			<h3>Revenue Streams</h3> <p>For what value do our customers really willing to pay? For what do they currently pay? How can they pay better? How should they prefer to pay? How much does each Customer Segment contribute to overall revenue?</p> <p>Examples: Licensing Subscription Usage-based Advertising Sales Rental Leasing Commission Referral Licensing Subscription Usage-based Advertising Sales Rental Leasing Commission Referral</p>	

DESIGNED BY: Business Model Foundry AG
The Masters of Business Model Innovation and Strategy

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**Video: The Business Model Canvas - 9 Steps
to Creating a Successful Business Model -
Startup Tips**

<https://www.youtube.com/watch?v=IP0cUBWTgpY>

9 min, English, subtitled

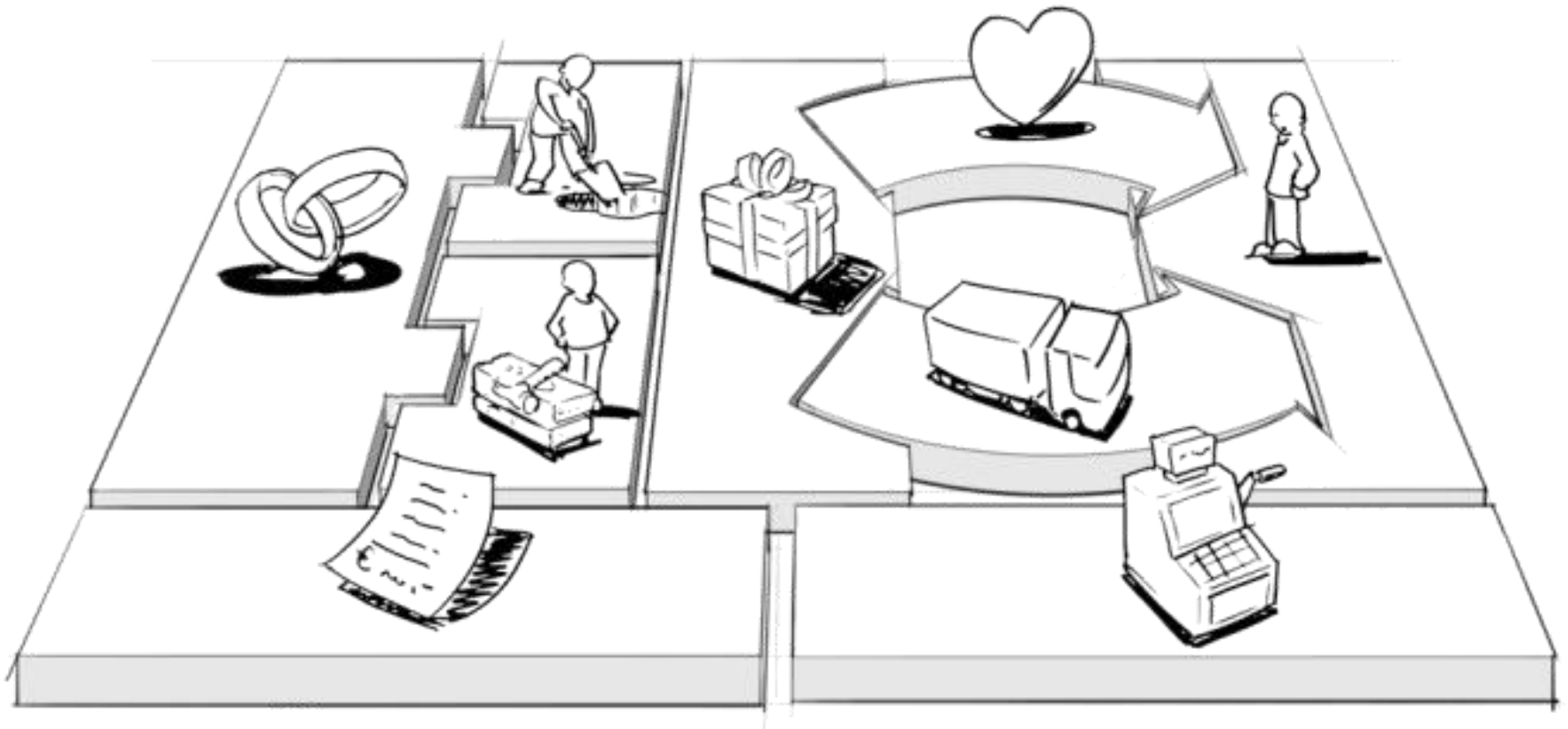
HBR, English, 9 min
A Plan is not a Strategy

<https://www.youtube.com/watch?v=iYIGRnC7J8&t=16s>

Triple layered business model canvas
7 min, English, subtitled

<https://www.youtube.com/watch?v=DpnbqBD8bVA>

3.3. Canvas business model: the triple layer

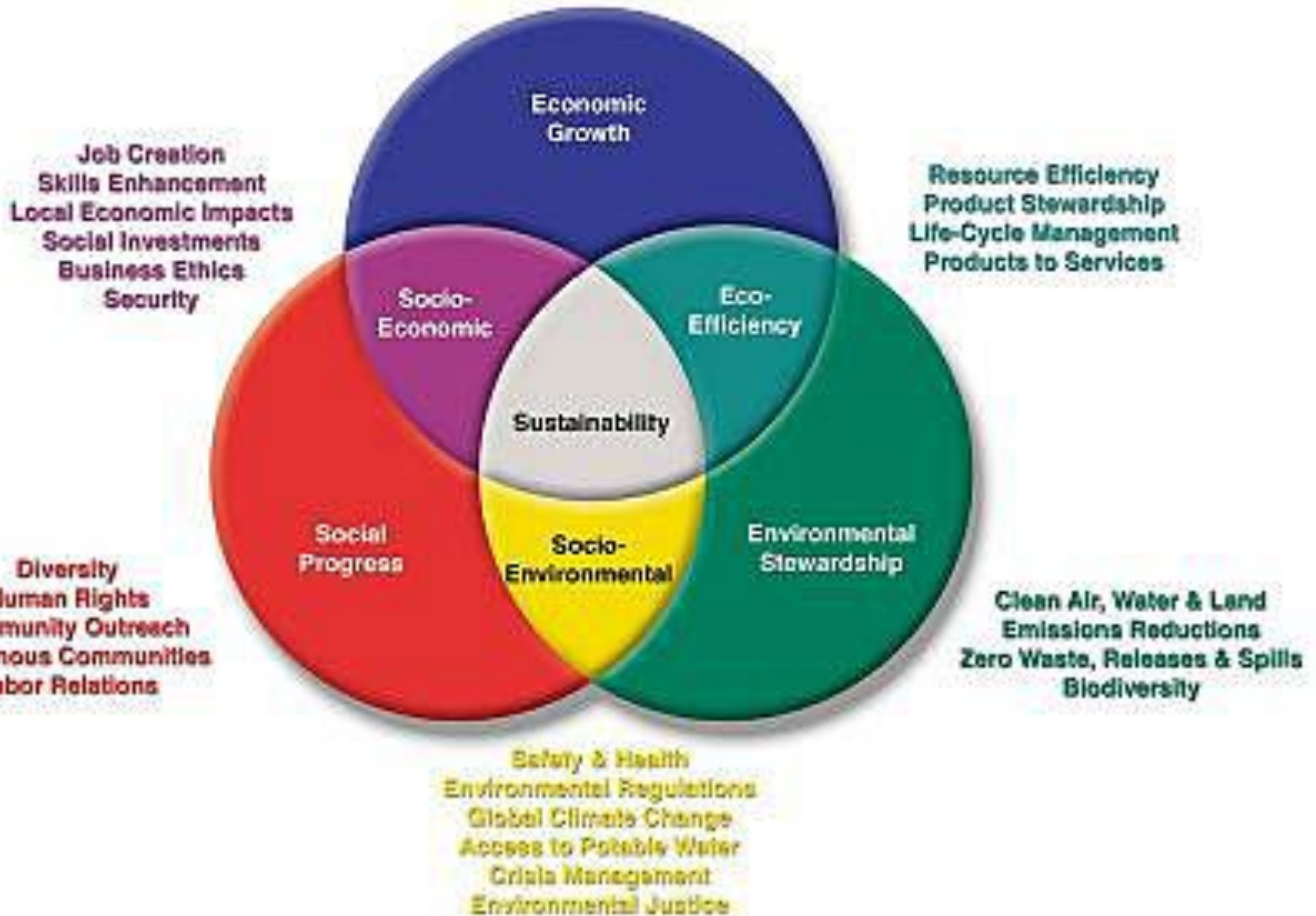


Ethics, social responsibility, and sustainability

- Sustainable development is defined in the Brundtland Report (1987) as development that: “meets the needs of the present without compromising the ability of future generations to meet their own needs.”
- Non-sustainability factors:
 - Massive, polluting, and unethical production (generates inequality and poverty)
 - Hyper consumption, planned obsolescence, throwaway culture
 - Overexploitation of natural resources, waste, pollution, non-renewable energy

- Ethics, social responsibility, and sustainability.
- The term 'sustainable development' was coined as an alternative to the terms: **economic development** and **economic growth**.
- Sustainable development is based on three factors (three p's), i.e., society (people), economy (profit), and environment (planet).

**Innovation
Capital Efficiency
Risk Management
Margin Improvement
Growth Enhancement
Total Shareholder Return**



Ethics, social responsibility, and sustainability

What is social responsibility?

- Responsibility of an organisation for impacts that its decisions and activities cause on society and the environment, through an ethical and transparent behaviour that:
 - Contributes to sustainable development, including the health and well-being of society.
 - Considers expectations of stakeholders.
 - Complies with applicable legislation and is consistent with international standards of behaviour.
 - Is integrated throughout the organisation and is put into practice in its relationships (ISO 26000, page. 4).

- On 25 September 2015, 193 world leaders committed to 17 sustainable development goals to achieve three extraordinary objectives within the next 15 years – eradicate extreme poverty; fight inequality and injustice; and solve climate change. These sustainable development goals could help to achieve these three objectives for everyone.



UN: <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

- Ethics, social responsibility, and sustainability

THE
LAZY PERSON'S
— GUIDE TO —
SAVING THE WORLD

<http://www.un.org/sustainabledevelopment/takeaction/>

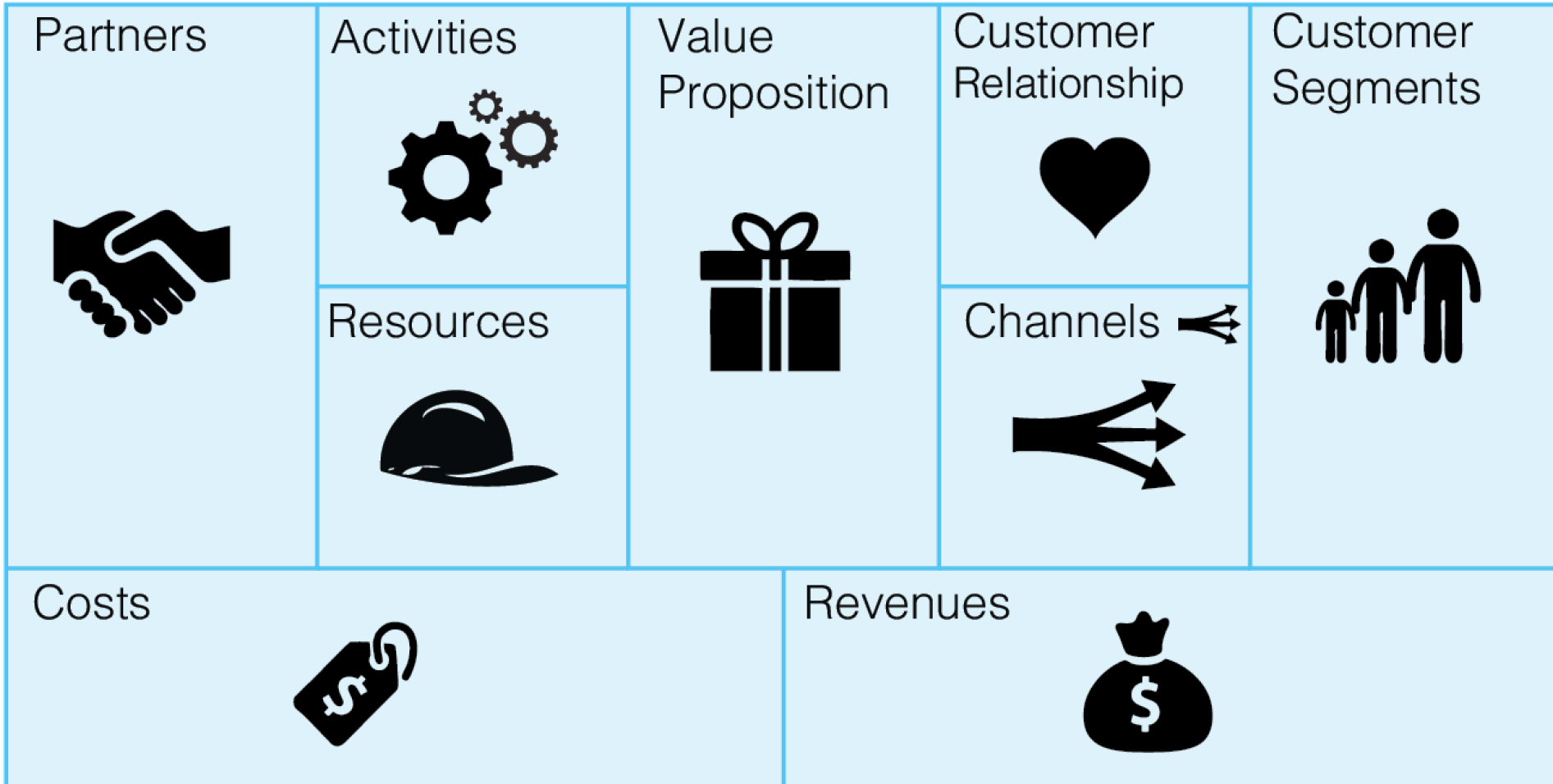
3.3. Canvas business model: the triple layer

Triple layer canvas model

- Joyce, Paquin and Pigneur (2015)
- Social innovation: business model with social and environmental impact
- Sustainability: future generations
- Three layers:
 - Economic value (CANVAS classic cycle)
 - Social value
 - Environmental value

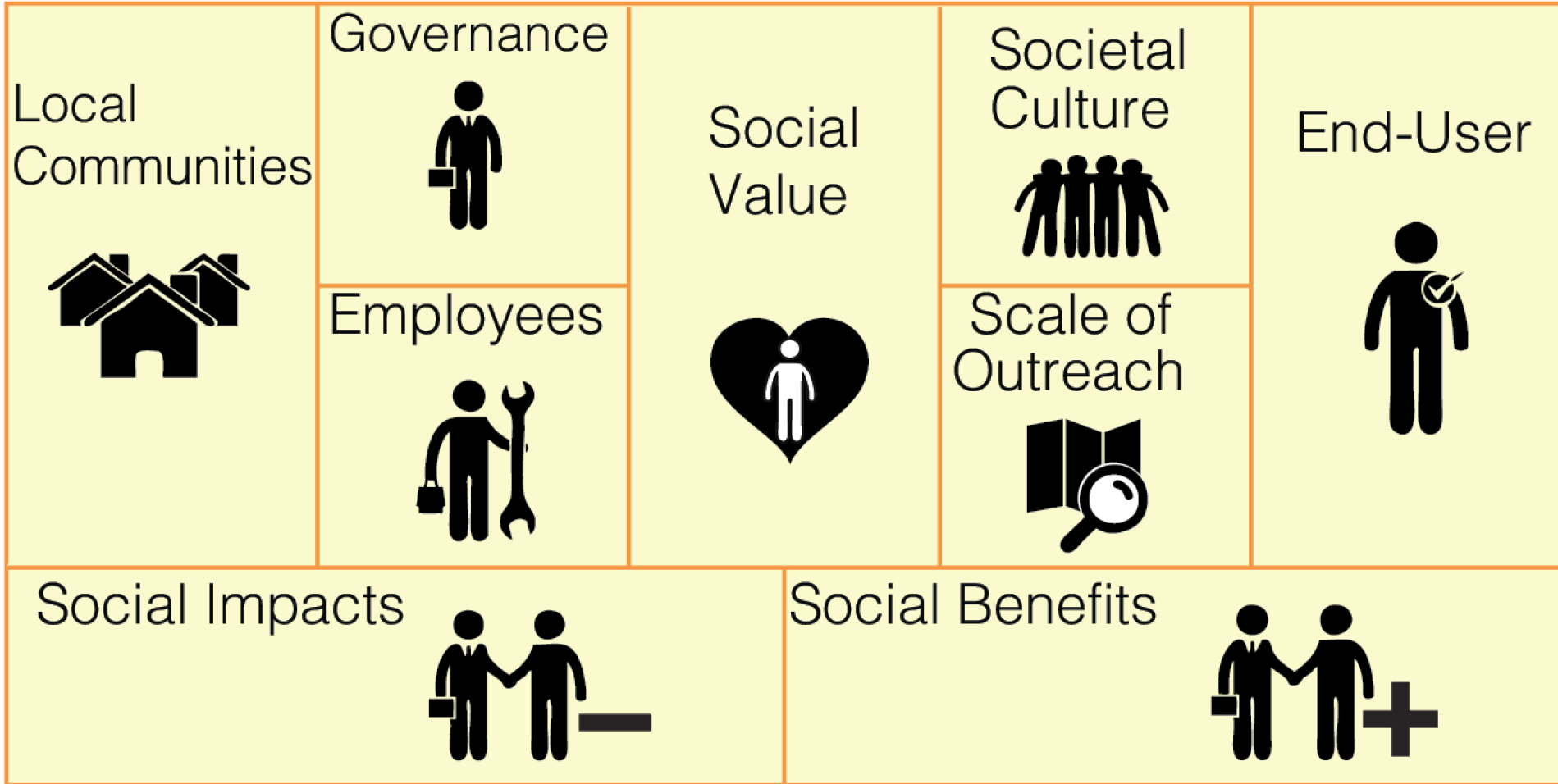
3.3. Canvas business model: the triple layer

Economic Business model Canvas



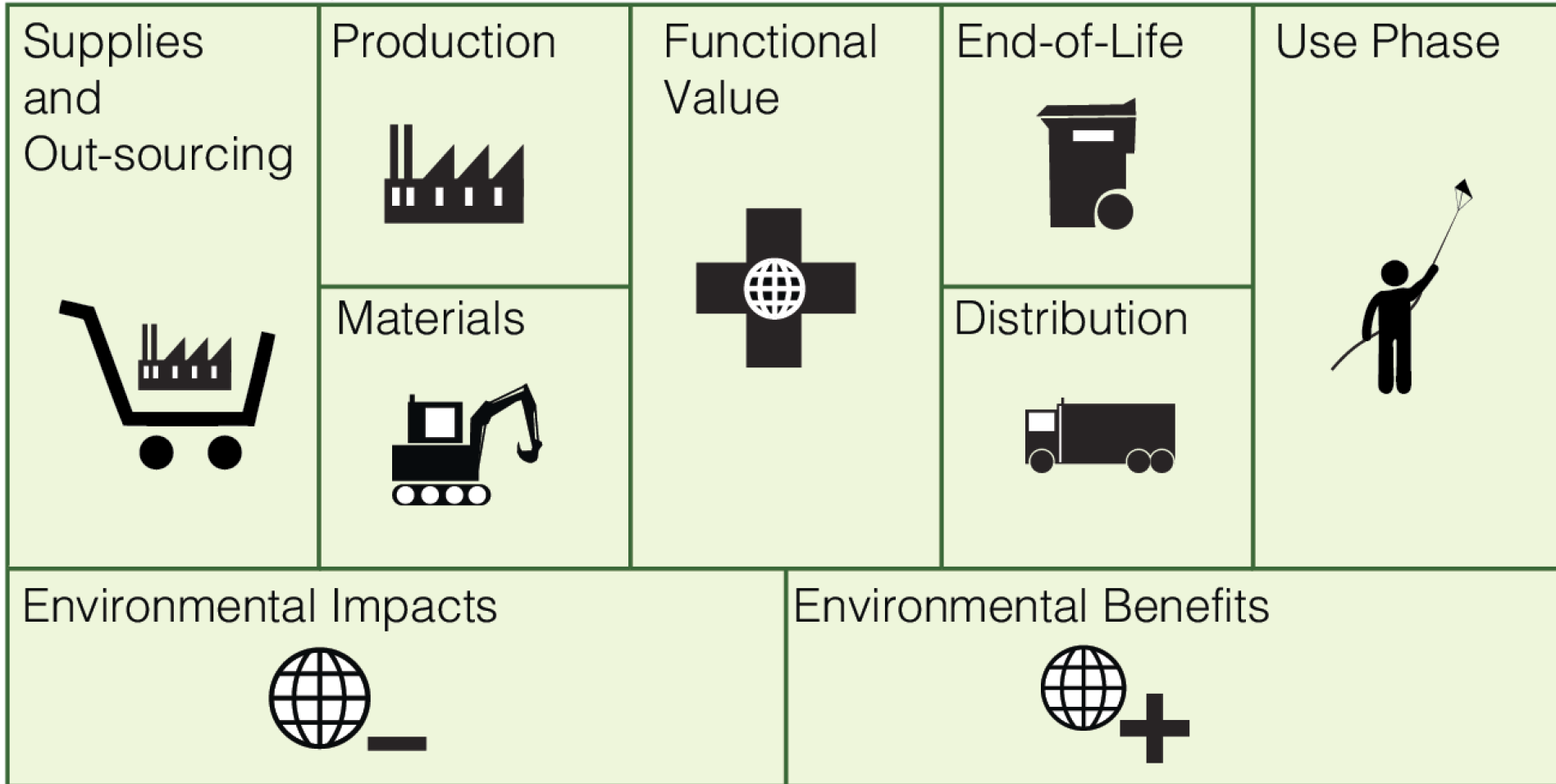
3.3. Canvas business model: the triple layer

Social Stakeholder Business model Canvas

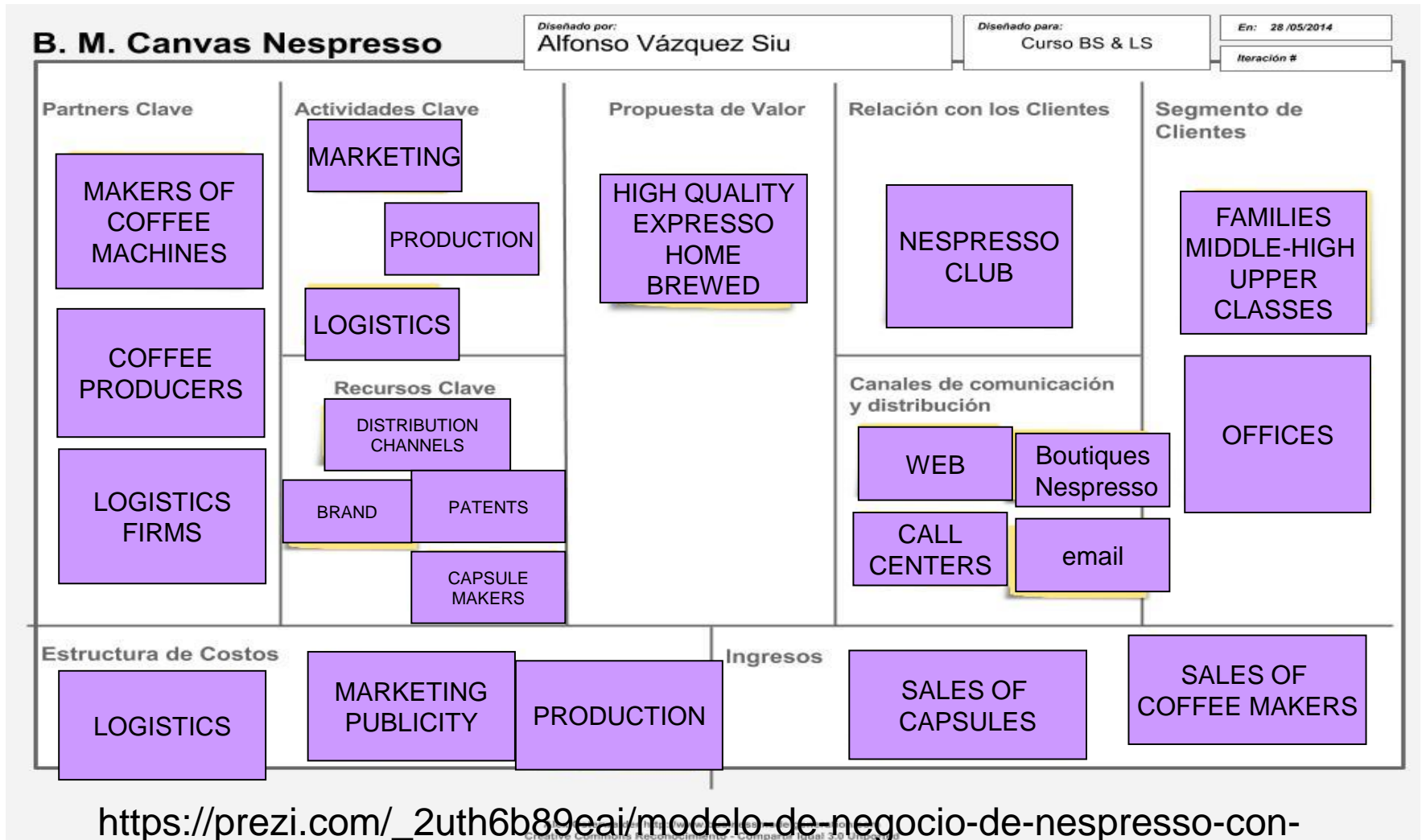


3.3. Canvas business model: the triple layer

Environmental Life Cycle Business model Canvas

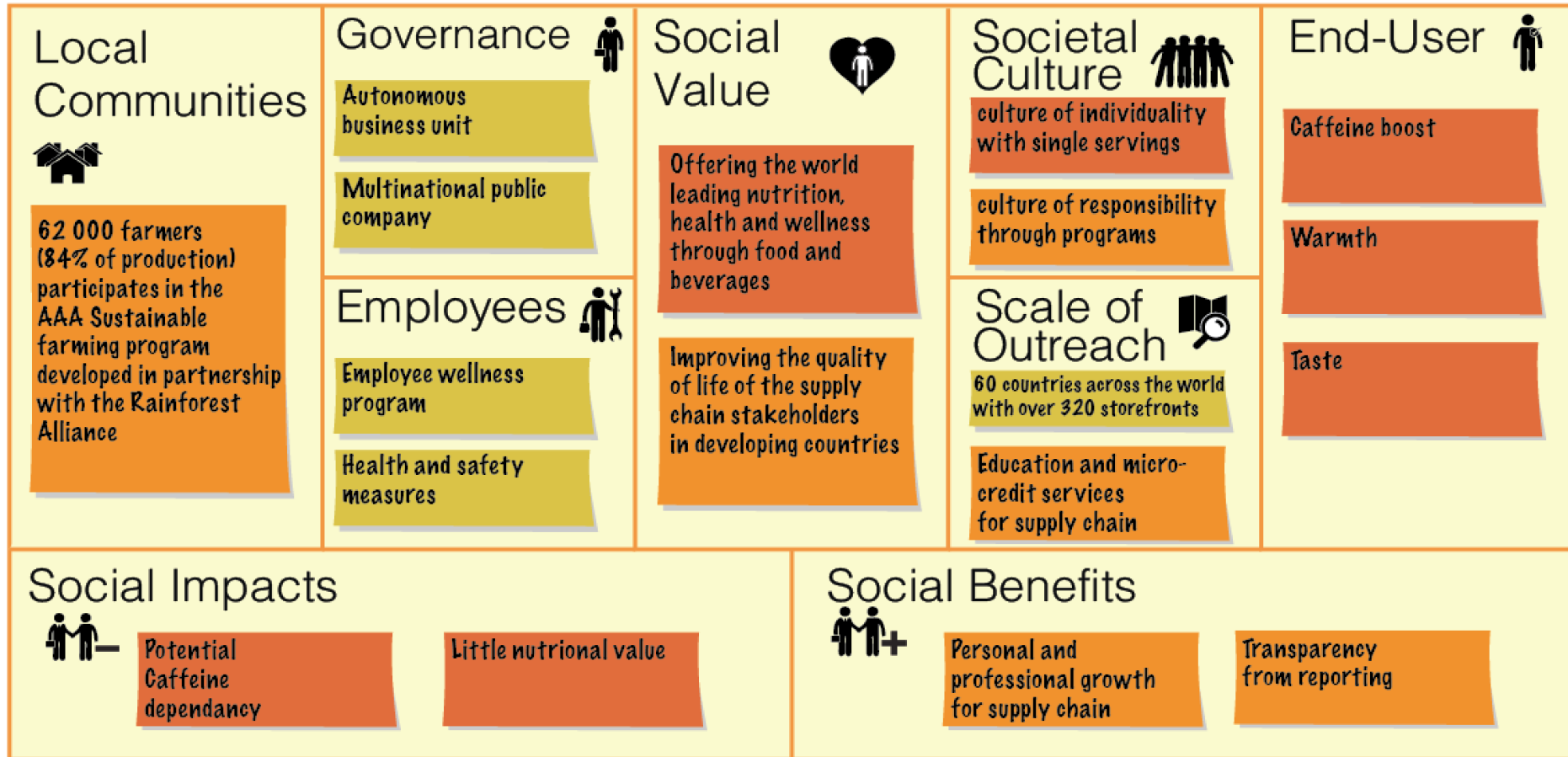


3.3. Canvas business model: the triple layer



3.3. Canvas business model: the triple layer

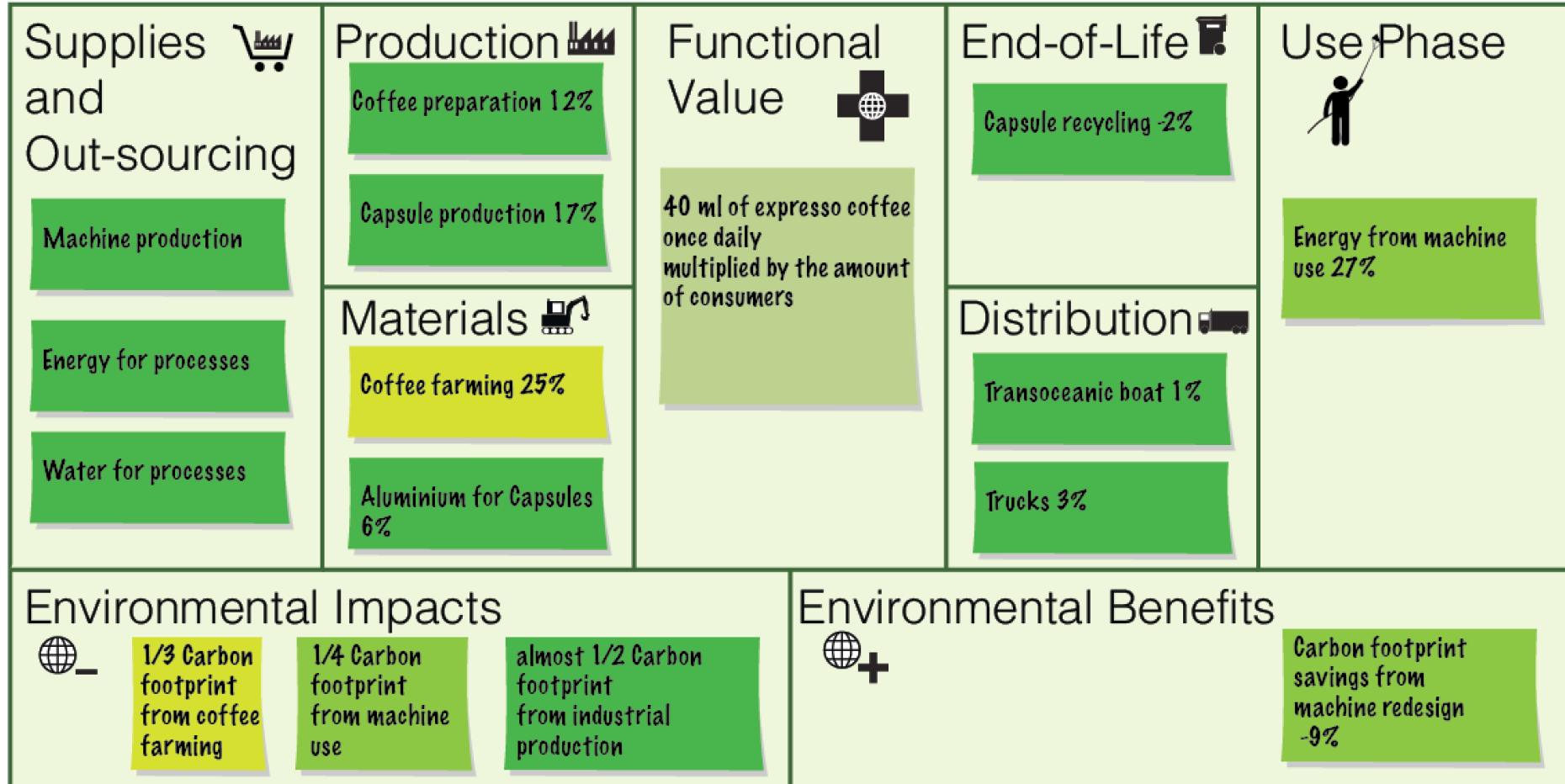
Social stakeholder Business model Canvas



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3.3. Canvas business model: the triple layer

Environmental Life Cycle Business model Canvas



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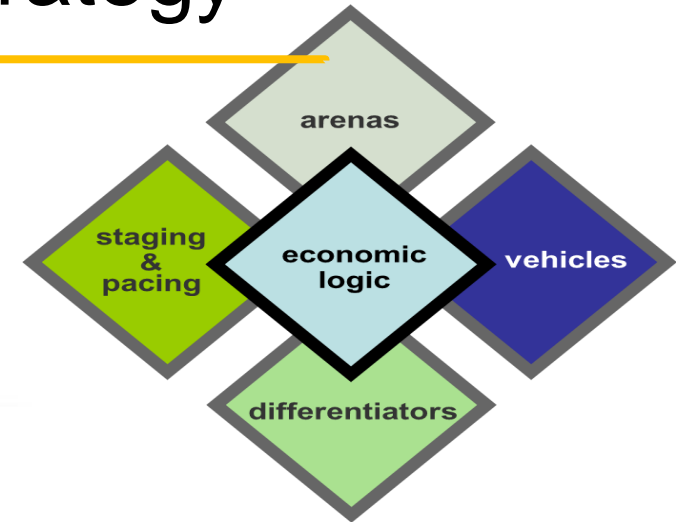
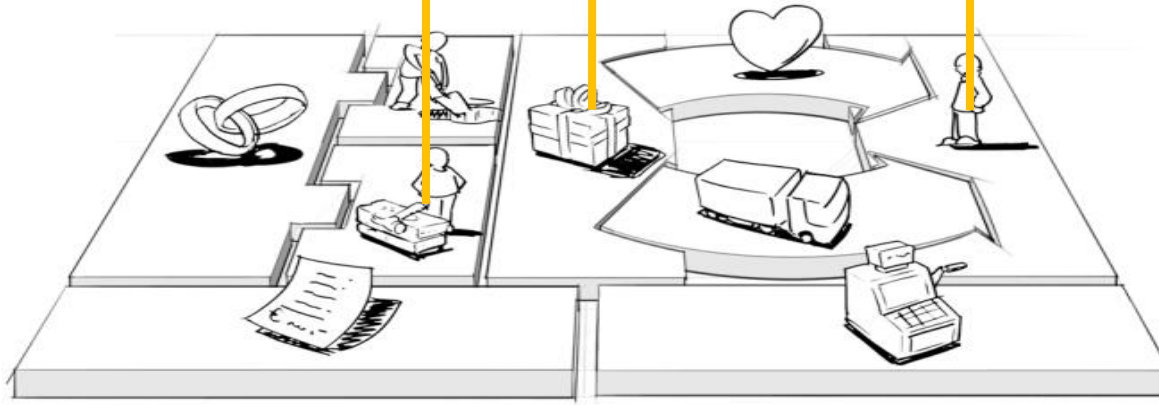
3.4. Business model and strategy: shared value creation

- A business model helps to understand what a business does and how its key parts fit together.
- A business model contributes in part to success, as it does not consider market competition.
- Dealing with the competition is the work of the strategy.
- The strategy is the plan to differentiate the company and provide it with a competitive advantage.

Link business model and strategy

Defining new markets / segments:

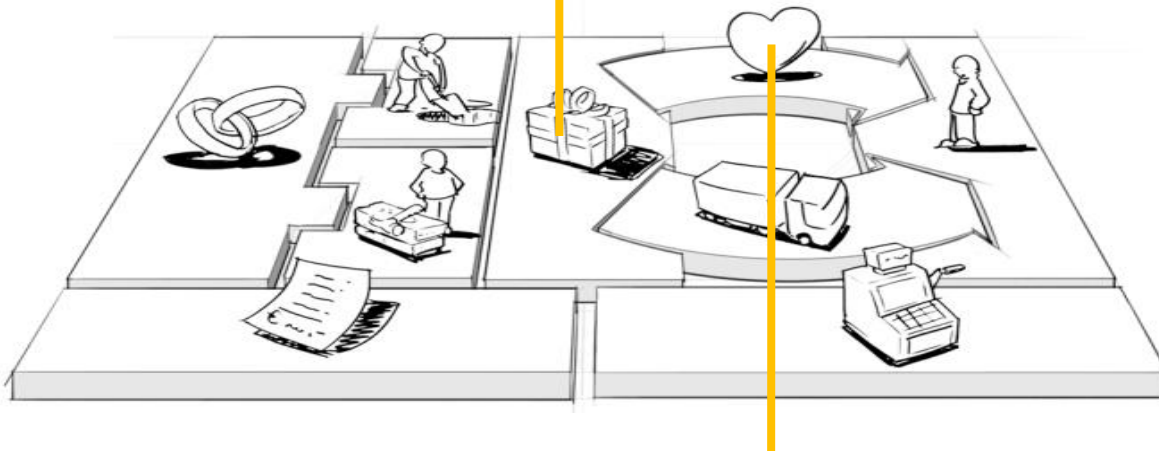
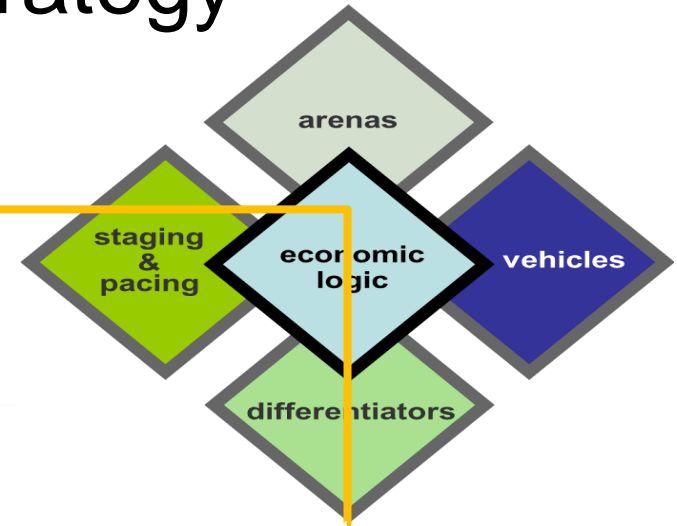
- New products
- Define changes in the value chain



Link business model and strategy

Determining how to satisfy the customer
and be different from competitors

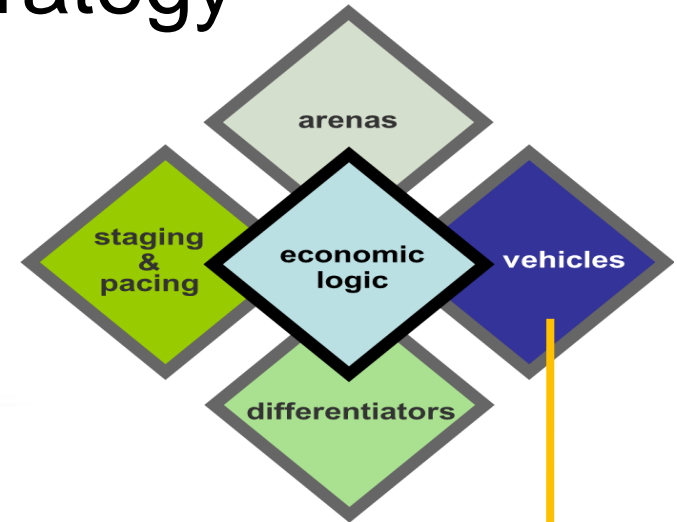
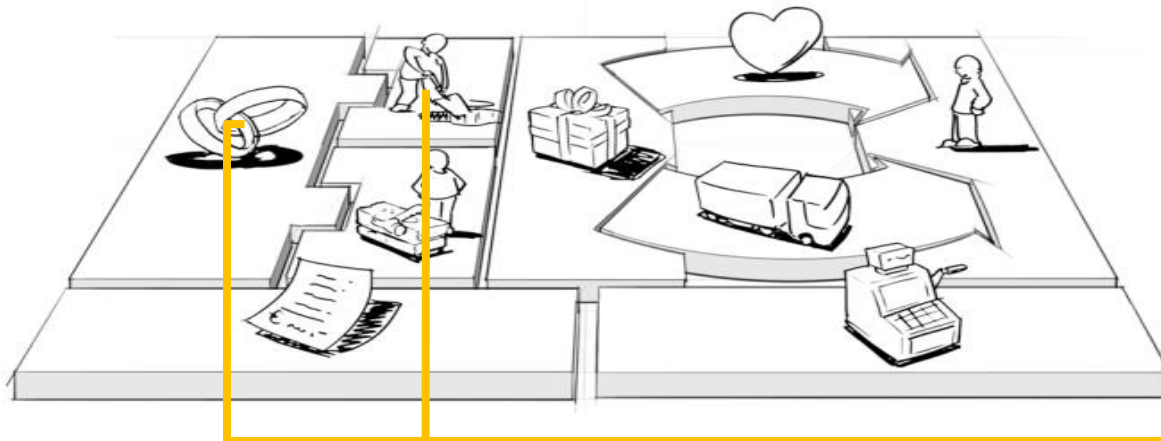
- variety, need, and access



Link business model and strategy

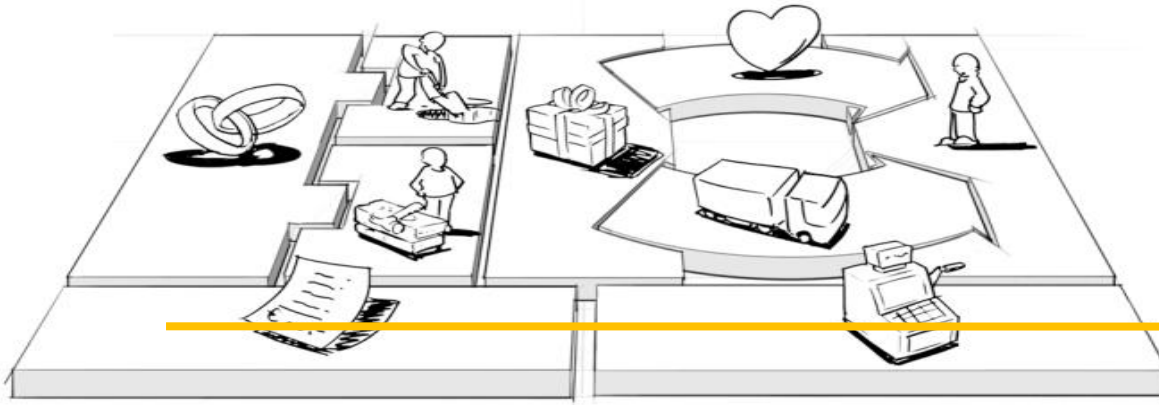
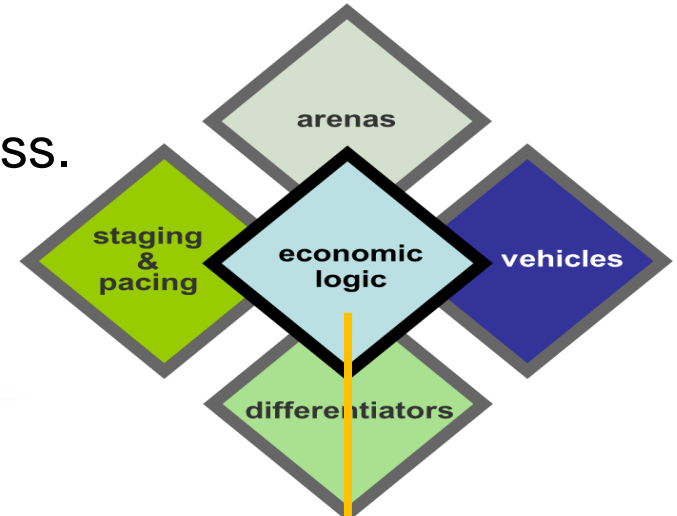
Design how to access or generate necessary resources,

- Activities and partners
- Organic, partnerships, mergers



Link business model and strategy

Align the factors to obtain profits and success.



Strategic innovation and business innovation

- Management of business change by the company.
- Styles:
 - Boiler room: constant evaluation of the business model - new models in both new and old businesses.
 - Spiral staircase: constant innovations in business but without changing it.
 - Fertile field: looking for new segments for today's business.
 - "Comecocos": outsourcing innovation with start-ups.
 - Explorer: small low-cost innovations.

Types of businesses

- Additive business:
 - Basic products (raw materials)
 - Linear income
 - Simple and unskilled staff
- Multiplicative business:
 - Special products with high added value for the customer
 - Constant growth of the business
- Exponential business:
 - Continuous selling products and viral distribution
 - Without borders and exponential growth

Strategic innovation and business innovation

- Partially redefining current business: gradual specific changes
- Creating new businesses: disruptive changes
- Business transfer: transformation-restructuring of companies
- Transformation of the business model
- Transformation of the legal form of the company
- Recovered companies (social economy):
 - Origins: Latin America (Argentina, Uruguay):
<https://www.youtube.com/watch?v=-G9dN2jrwKM>
 - Economic crisis 2007 Spain:
<http://www.rtve.es/alacarta/videos/telediario/espana-pais-europa-donde-hay-mas-empresas-recuperadas-propios-trabajadores/2592797/>