



**“THE ESSENCE OF  
STRATEGY IS  
CHOOSING WHAT  
NOT TO DO.”**

**Michael E. Porter**



# MANAGEMENT ESSENTIALS FOR PHYSICISTS

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## EPISODE 4: STRATEGY & BUSINESS MANAGEMENT

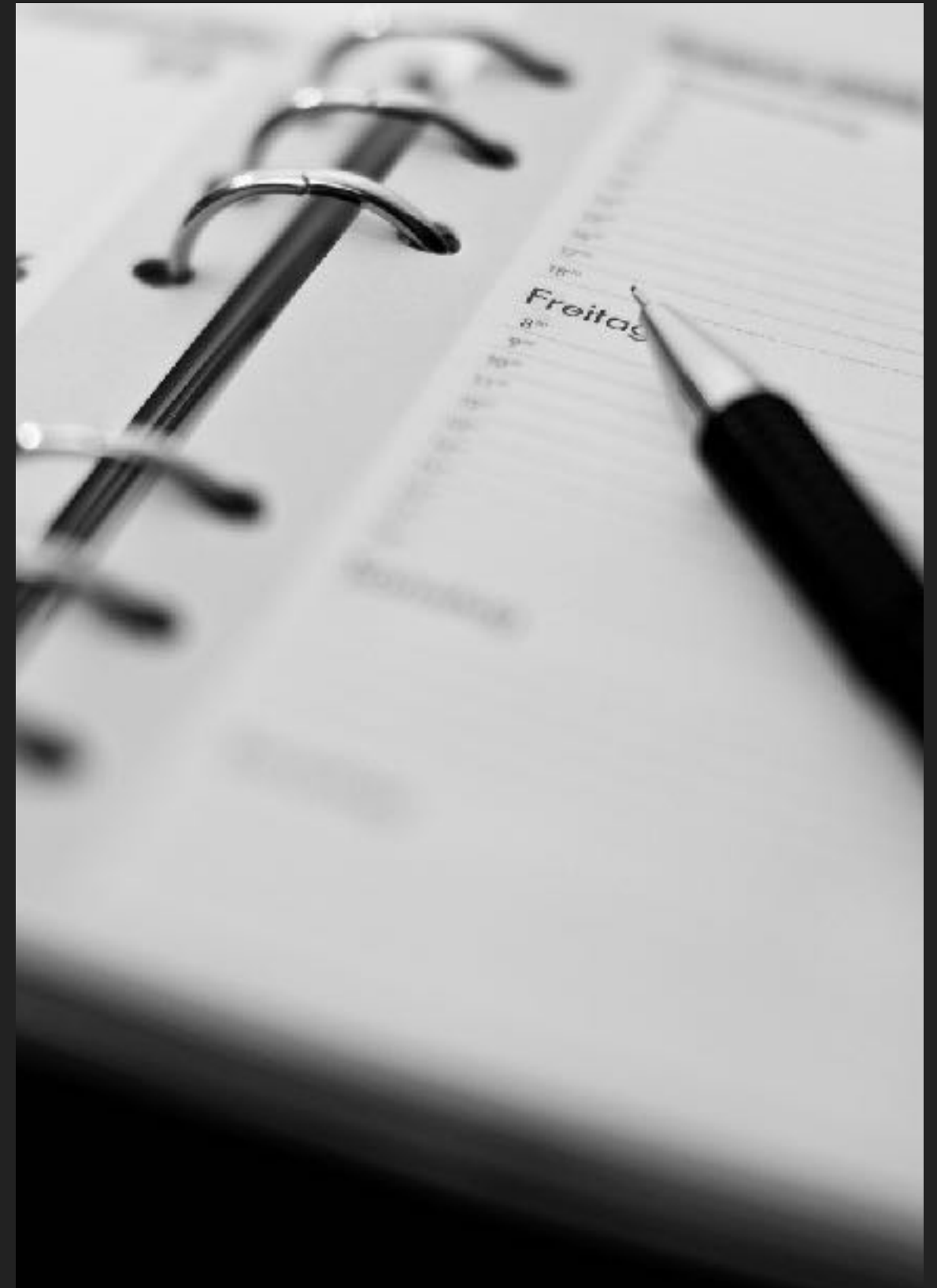
MICHEL HERQUET - UCLOUVAIN - MARCH 2017

**“BUSINESS STRATEGY IS A SET OF GUIDING PRINCIPLES THAT, WHEN COMMUNICATED AND ADOPTED IN THE ORGANISATION, GENERATES A DESIRED PATTERN OF DECISION MAKING”**

**Michael D. Watkins, HBR**

# TODAYS AGENDA

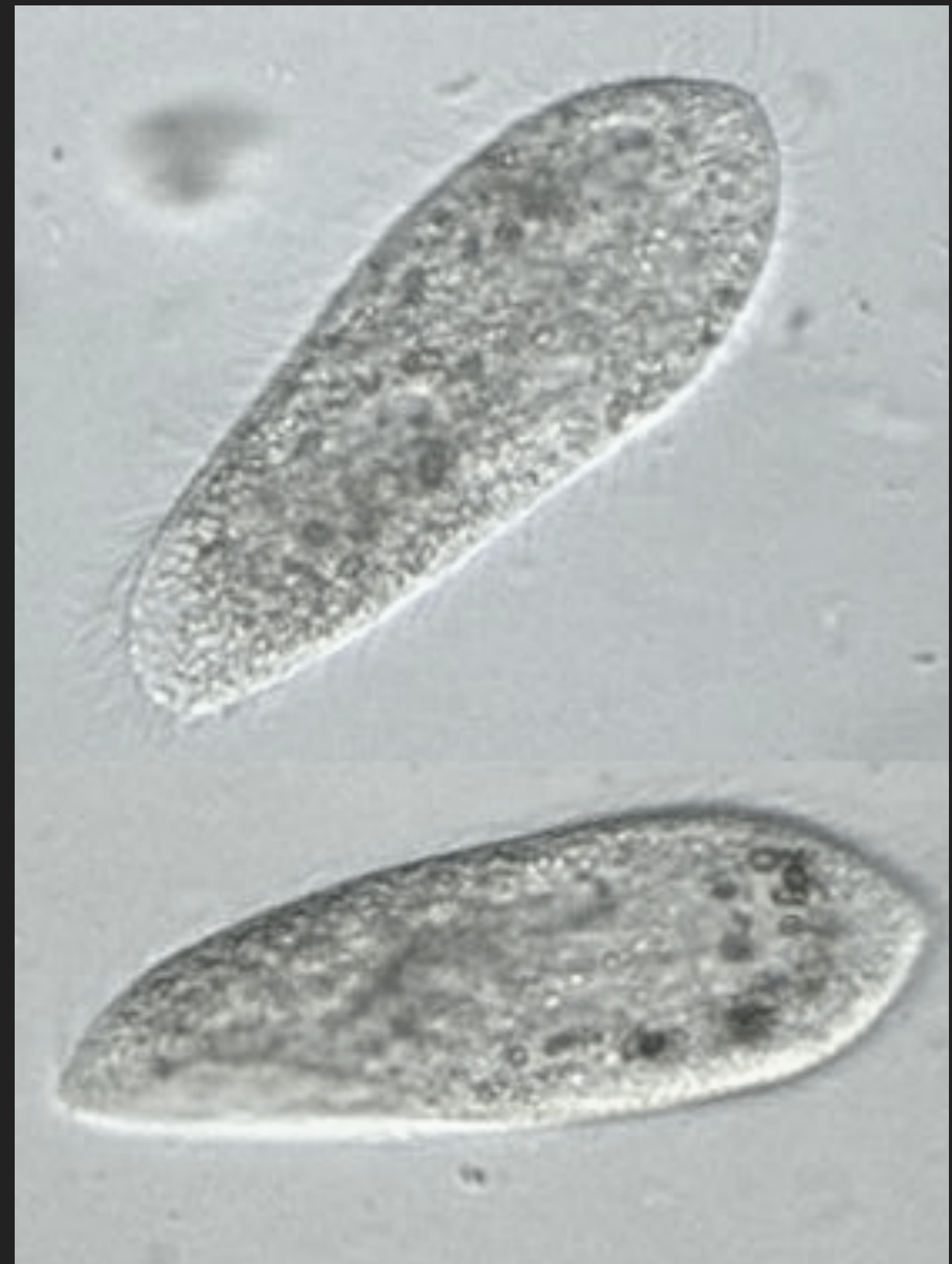
- ▶ A brief history
- ▶ Mission, Vision and Values
- ▶ The Business Model Canvas
- ▶ The Value Proposition Canvas
- ▶ Strategic thinking: common frameworks including SWOT, BCG Matrix and Porter's 5 Forces
- ▶ The Lean organisation
- ▶ Tips & Tricks





# A BRIEF HISTORY

- ▶ 5th century BC: ancient Chinese military strategist Sun Tzu wrote "The Art of War"
- ▶ 1934: Gause's Principle of Competitive Exclusion: "No two species can coexist that make their living in the identical way", "be first or die"
- ▶ 1930's to 1990's: Rise and Fall of Strategic Planning: from military organised GM to the Enron disaster
- ▶ Now: the end of formal strategy, rise of emergent/Bayesian strategy (questing replacing kingdom building ?)





## MISSION, VISION, VALUES

- ▶ An organisation's **vision** is the future you want to create for the community you wish to impact (think visionARY, where we are heading)
- ▶ An organisation's **mission** is how it turn its vision into practice (think missionARY, what we will do to get there)
- ▶ An organisation's **values** are the guiding principles the organisation will refer to for decision making, and that it wants to see in its community (lead by example)

# MISSION, VISION, VALUES

## MISSION STATEMENT

	Tesla	Walmart	Amazon	CERN
Vision	To create the most compelling car company of the 21st century by driving the world's transition to electric vehicles.	To become the world wide leader in retailing	To be Earth's most customer-centric company, where customers can find and discover anything they might want to buy online.	?
Mission	To accelerate the world's transition to sustainable energy	To help people save money so they can live better	We strive to offer our customers the lowest possible prices, the best available selection, and the utmost convenience.	Seeking and finding answers to questions about the universe. Advancing the frontiers of technology. Bringing nations together through science. Training the scientists of tomorrow.

Values	?	Service to the Customer, Respect, Excellence, Integrity	Customer Obsession, Ownership, Invent and Simplify, Are Right, A Lot, Hire and Develop the Best , Insist on the Highest Standards, ...	Diversity, Integrity, Commitment, Professionalism and Creativity
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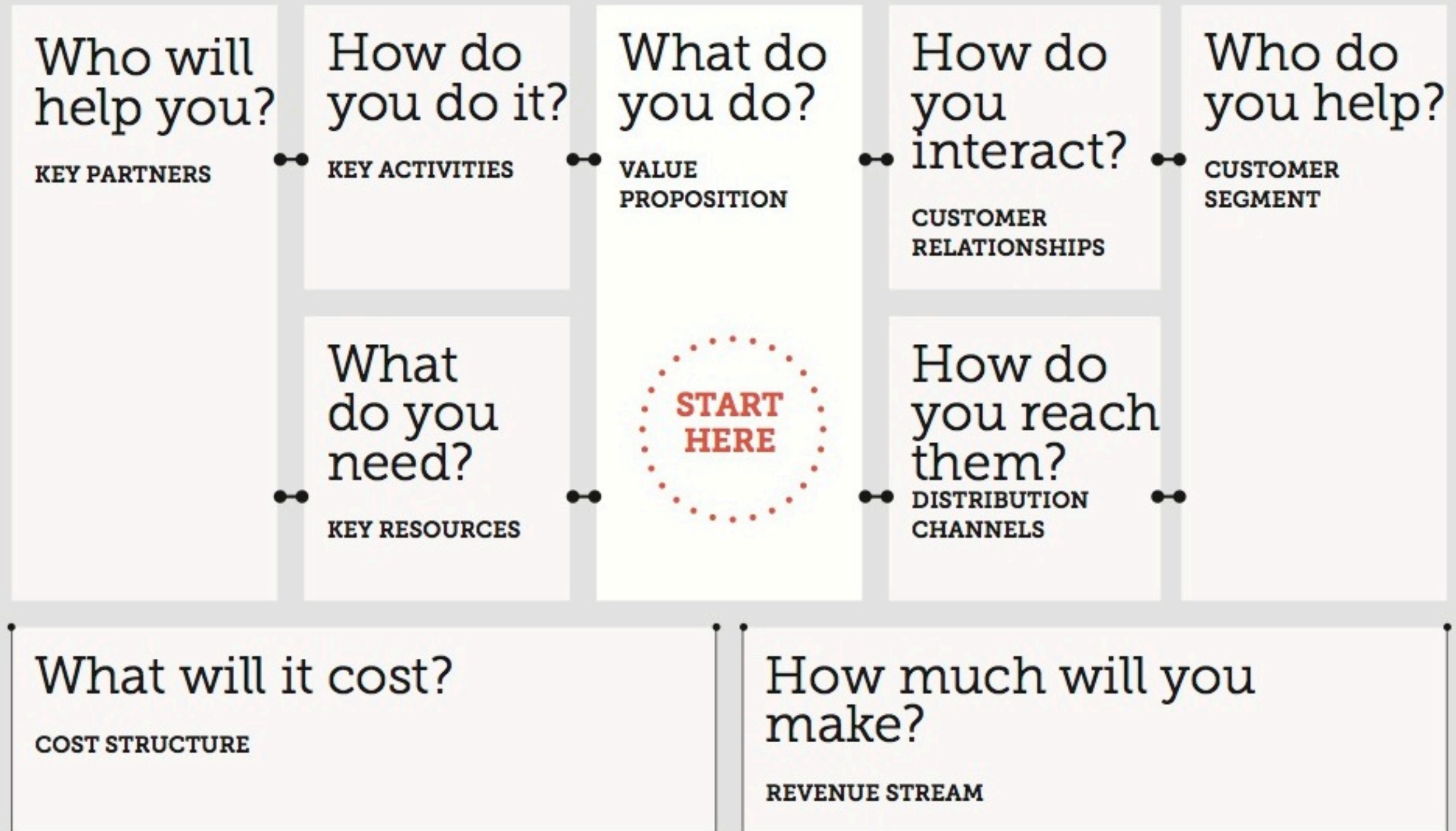
# WHAT IS A BUSINESS MODEL ?

- ▶ A **plan** for the successful operation of a business, identifying sources of **revenue**, the intended **customer** base, **products**, and details of **financing**.
- ▶ Disruptive business models changed entire economies, think McDonald's (fast-food franchised), Walmart (one stop shop), Amazon (one stop shop, online), Netflix (unlimited access to entertainment), eBay (peer-to-peer business), Uber/AirBnB (service with no assets), etc.
- ▶ When an organisation brutally move from one business to another, this is called "pivoting" (e.g., Apple Store, Hilti, etc.)



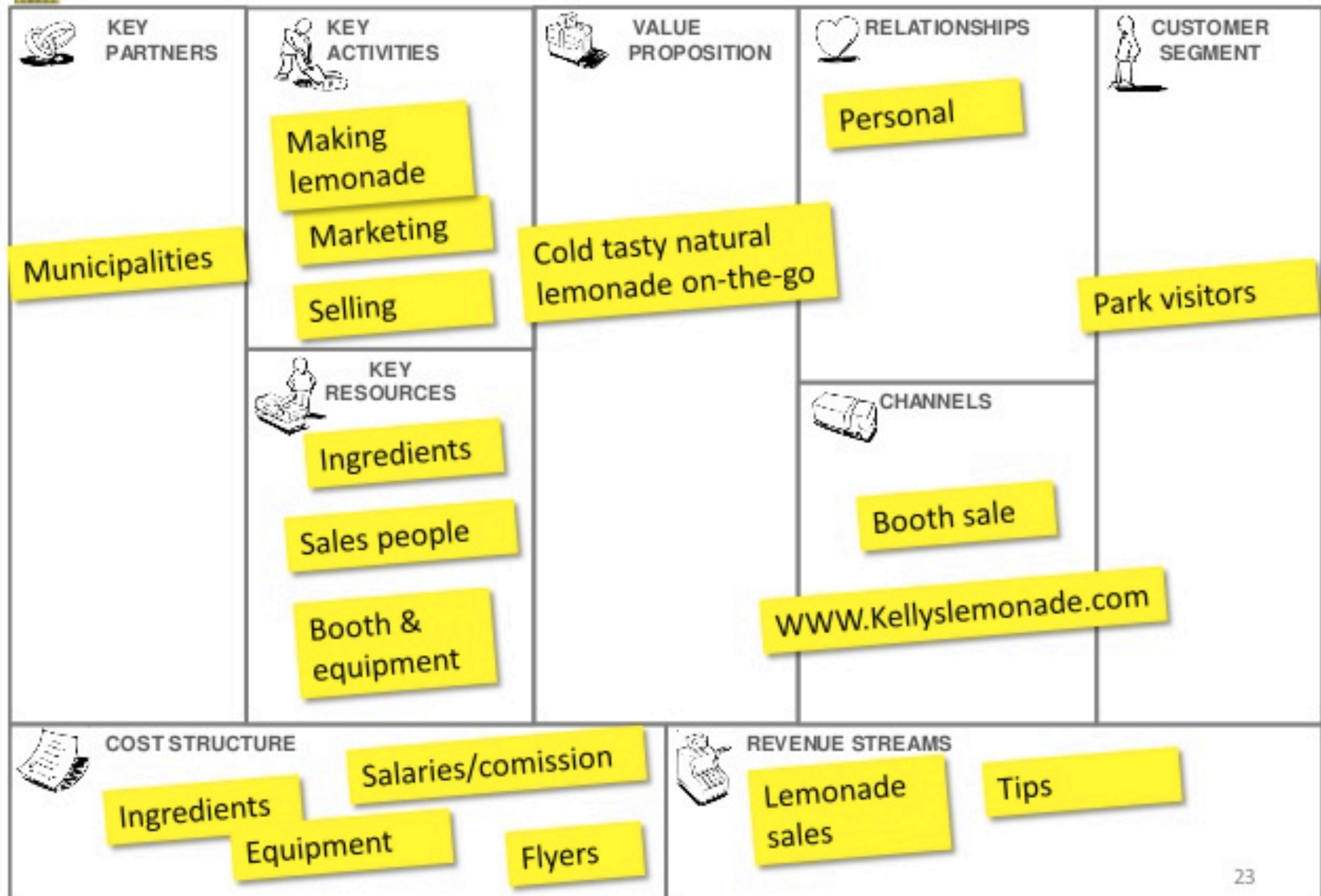


# THE BUSINESS MODEL CANVAS





## Kelly's Lemonade Stand: Refreshing Lemonade

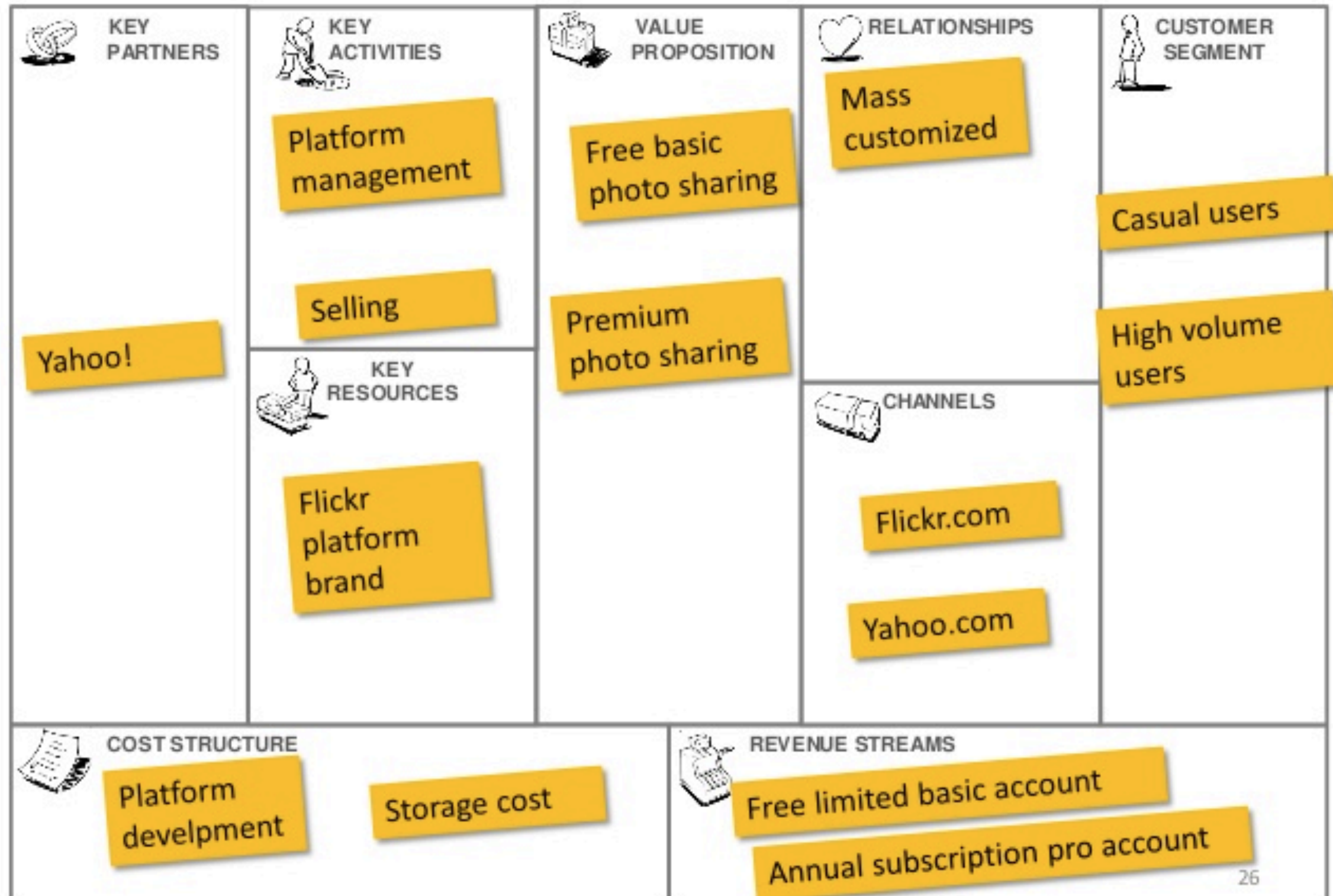




# THE BUSINESS MODEL CANVAS

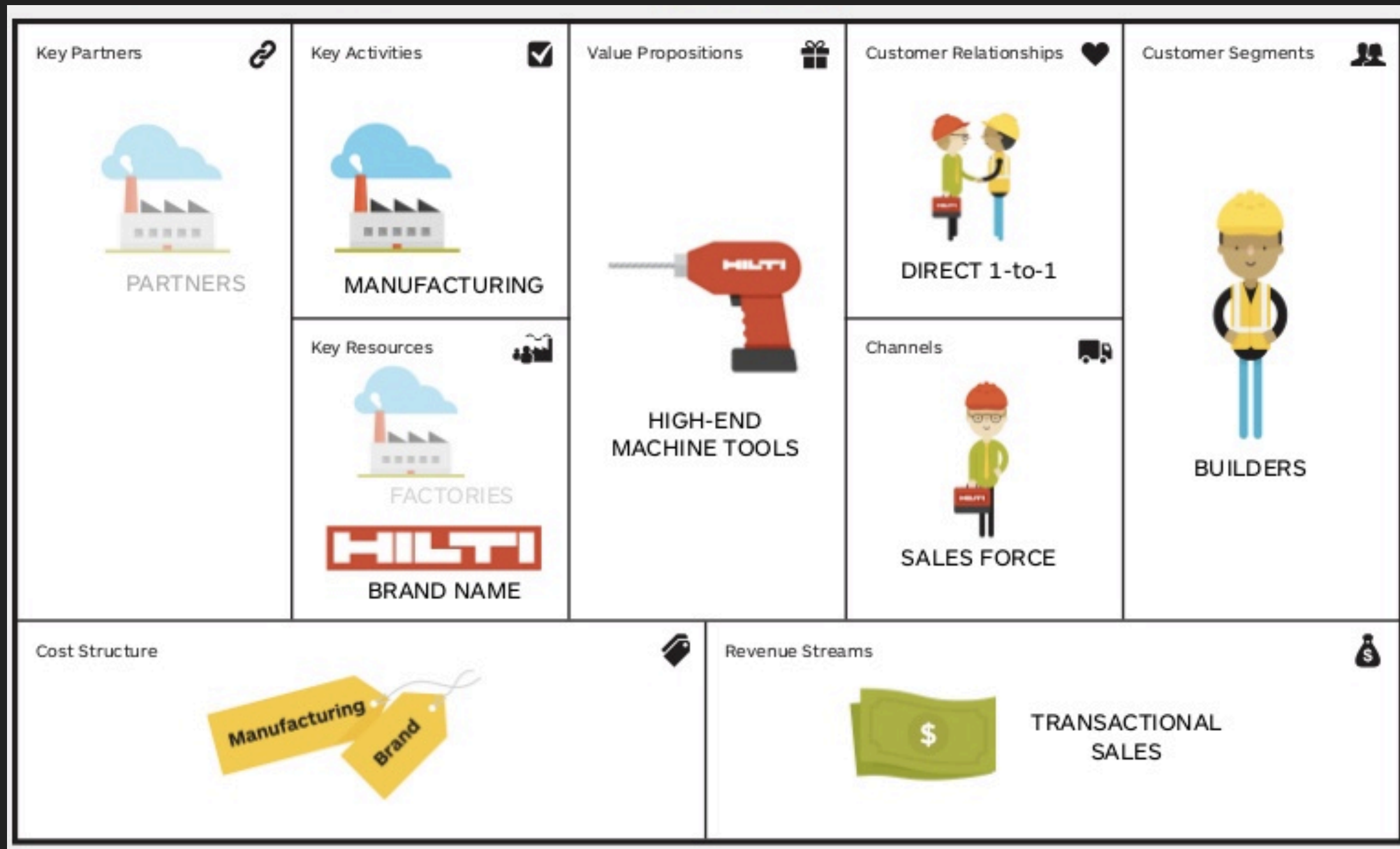


## Flickr: Photo Sharing



# THE BUSINESS MODEL CANVAS

## THE HILTI CASE



- ▶ “Customer wants holes, not drill hammer”, how does the Hilti business model change reflects in their BMC ?



## WHAT IS A VALUE PROPOSITION ?

- ▶ An innovation, service, or feature intended to make a company or product **attractive** to customers ("why should I buy ...")
- ▶ Good value propositions are:
  - ▶ Simple
  - ▶ Unique
  - ▶ Memorable
  - ▶ Personal
- ▶ Value proposition design is a central issue in modern marketing
- ▶ It plays a central role in any business model (canvas)



Only 4-HOUR relief with tablets

Full 10-HOUR relief with VapoRub

### NEVER GO TO BED WITH A COLD

...without Vicks VapoRub

Only the VapoRub way gives 10-hour "sleep-thru" relief in nose, throat, chest . . . works more than twice as long as aspirin or ordinary cold tablets.

Don't wait for that cry in the night when baby has a cold. Give her all-night relief . . . not just the four-hour action of ordinary tablets.

Rub her chest, throat, neck, back with Vicks VapoRub at bedtime. Starts easing soreness and tightness instantly. For 10 full hours, penetrating vapor medications go straight inside stuffy head, sore throat, congested chest. All night long, VapoRub helps break up congestion, rakes breathing easier. Helps baby sleep the night through, wake up feeling better!

So never go to bed with a cold without Vicks VapoRub.

Relieves 10 hours while you sleep

Inside stuffy NOSE

Inside sore THROAT

Inside tight CHEST

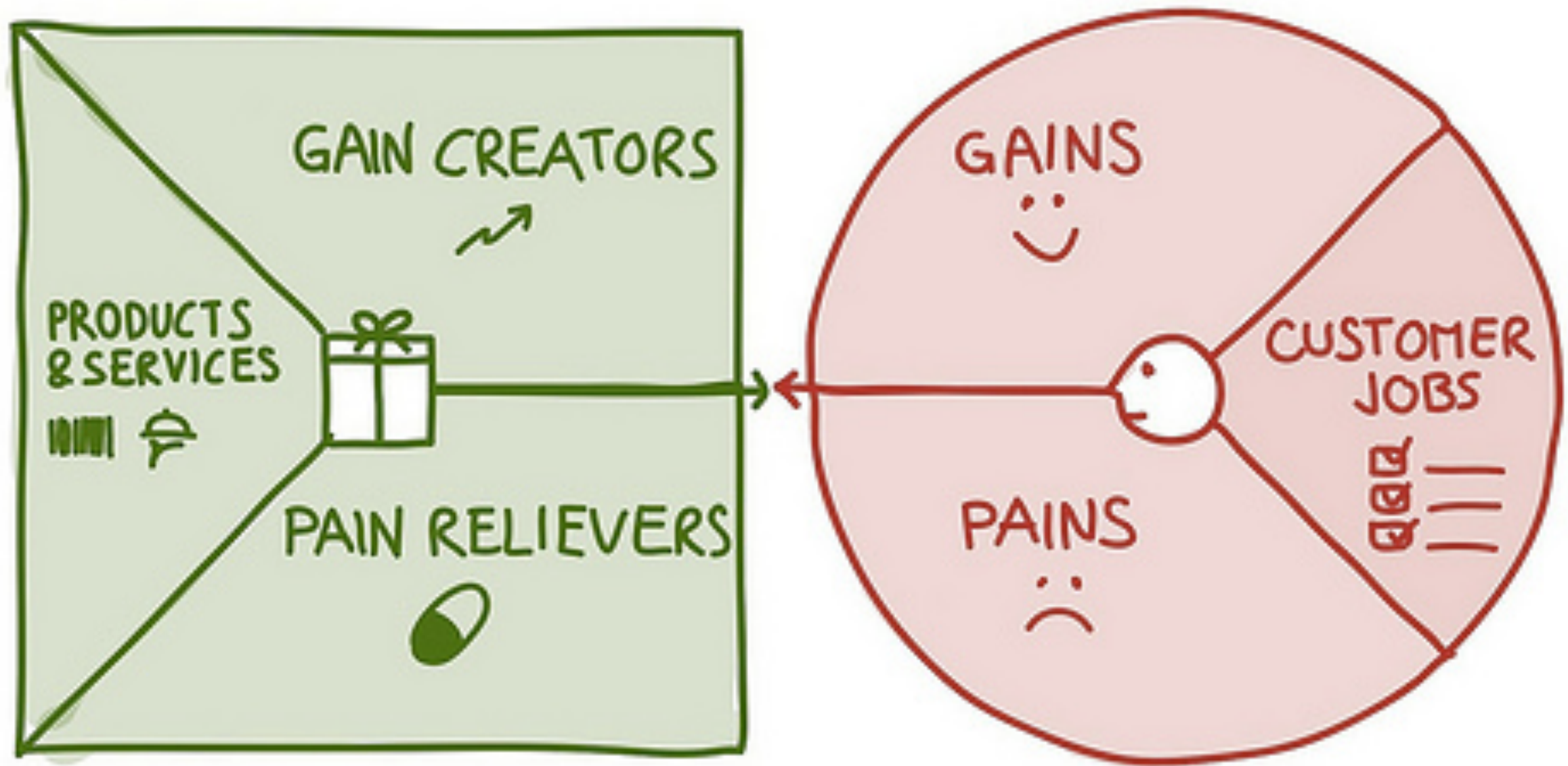
Medication cold-congested nose, throat, chest all at once . . . all night long. VapoRub's deep-penetrating vapor medications start relieving in 7 seconds, keep on relieving for 10 full hours. And there's no internal dosing.

## Vicks VapoRub

ANTHONY PRODUCTS

World's most widely used colds medication . . . use as a rub, in steam, around the nose.

# THE VALUE PROPOSITION CANVAS





# THE VALUE PROPOSITION CANVAS

## THE HILTI CASE RELOADED

Old



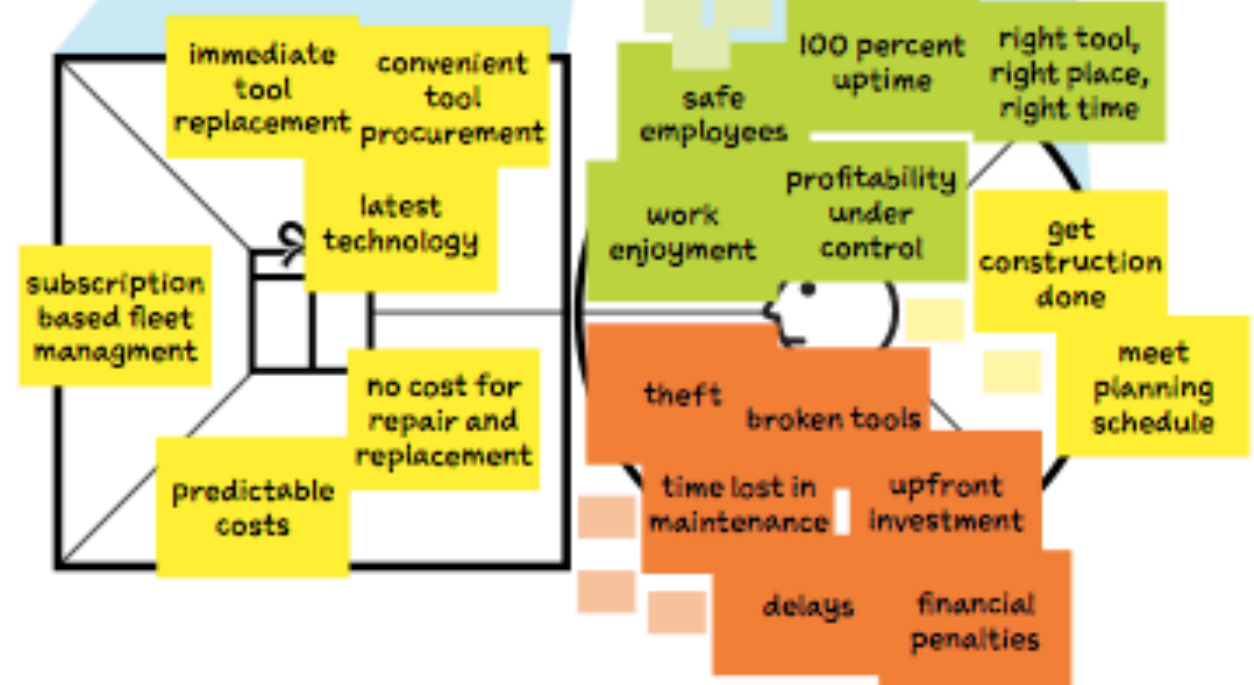
New



Builders



Managers



# THE SWOT ANALYSIS

- ▶ **SWOT** is structured “audit” method that evaluates four elements of an organisation, project or business venture: strengths, weaknesses, opportunities, and threats
- ▶ It can be used to creatively:
  - ▶ Explore possibilities for new efforts or solutions to problems
  - ▶ Make decisions about the best path to follow
  - ▶ Determine where change is needed or possible
  - ▶ Adjust and refine plans mid-course
- ▶ Exercise: do your personal SWOT analysis!





## THE GROWTH SHARE MATRIX

RELATIVE MARKET SHARE

CASH GENERATION

HIGH

LOW

HIGH



LOW

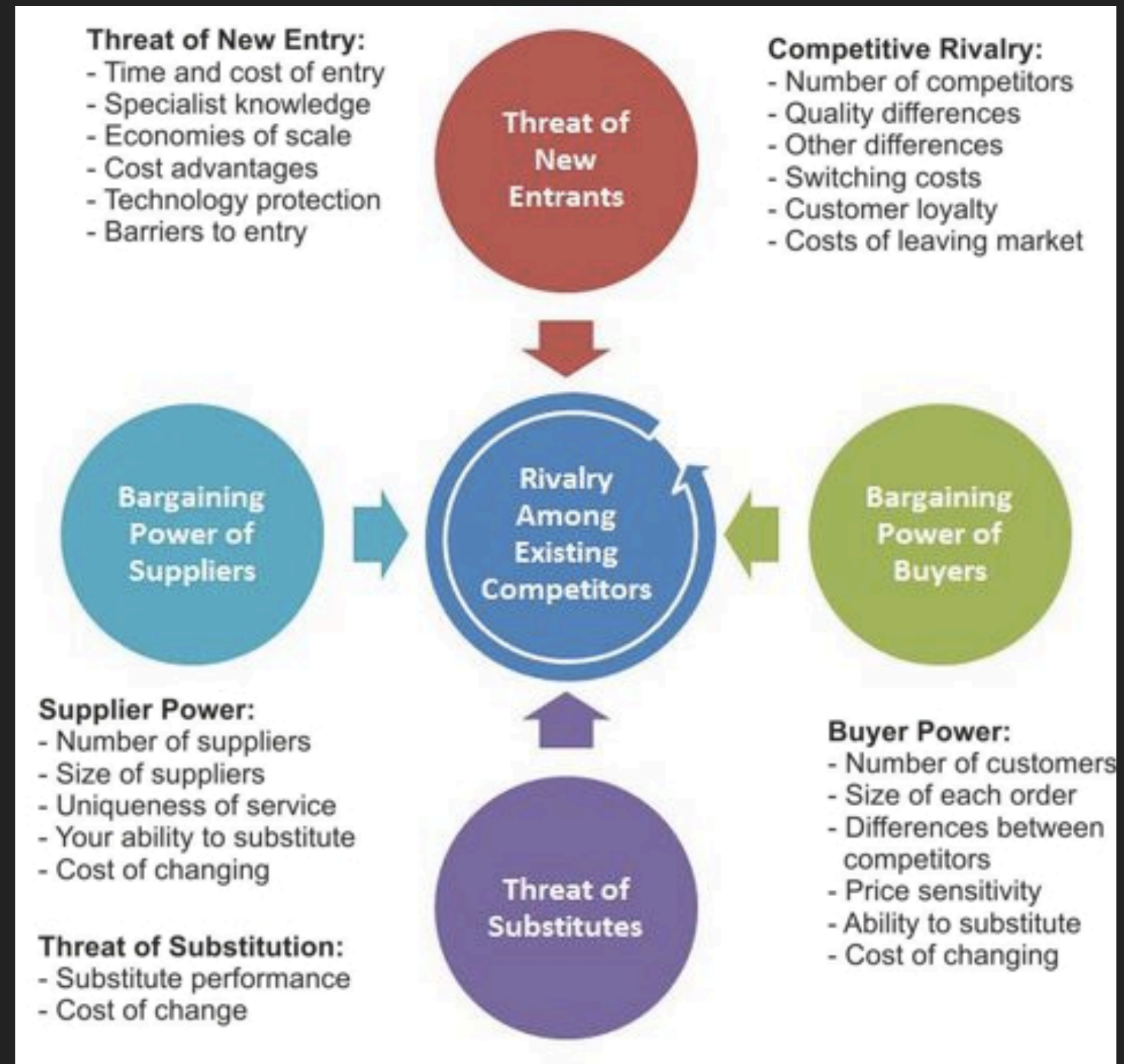


## THE GROWTH SHARE MATRIX

- ▶ Created by Bruce D. Henderson for the Boston Consulting Group in 1970
- ▶ Most common strategic method to represent a portfolio of products/initiatives
- ▶ Rules are:
  - ▶ Liquidate dogs (unsuccessful products)
  - ▶ Grow a few question marks into stars, divest the others
  - ▶ Invest in stars until they become cash cows
- ▶ Exercise: find one example of each product type for your favorite company

## PORTER'S 5 FORCES

- ▶ Strategic thinking framework focusing the **competitive** environment
- ▶ An "unattractive" industry is one in those forces are high and act to drive down overall profitability
- ▶ An "attractive" industry is one in those forces are low and do not negatively affect profitability
- ▶ Exercise: think about a new online shop business idea and complete the framework!



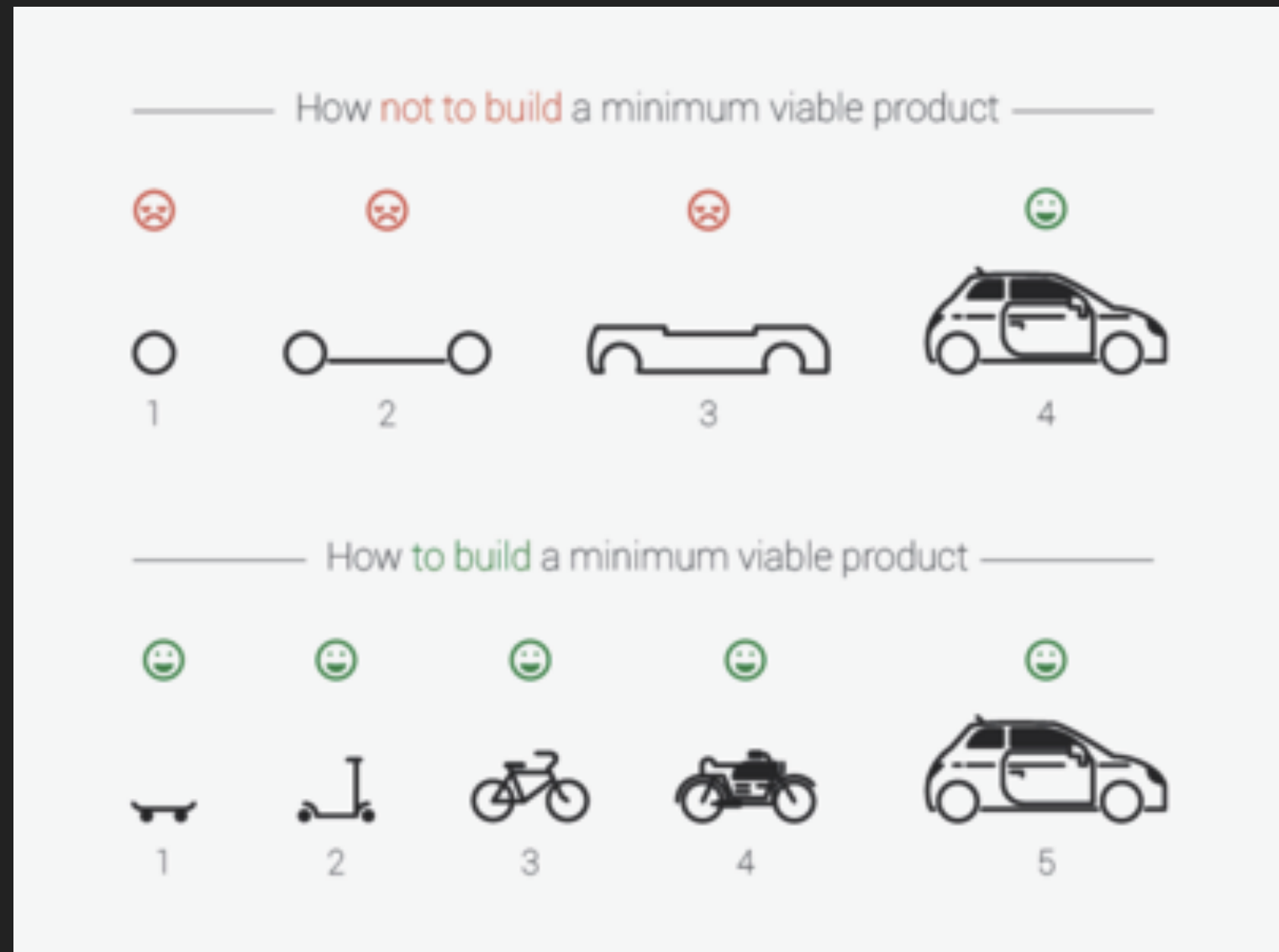
# WHAT IS LEAN ?

- ▶ A way of **thinking** and **acting** for an entire organisation. Core idea (Toyota Way) is to continuously maximise customer **value** while minimising **waste**
- ▶ The essence of Lean is to connect:
  - ▶ **Purpose:** What **specific** customer problems will the enterprise solve to achieve its own purpose of prospering?
  - ▶ **Process:** in an ideal process, **every** step is valuable, capable, available, adequate and flexible
  - ▶ **People:** make people **responsible** for value streams and implement continuous improvement (kaizen)



## MINIMUM VIABLE PRODUCT

- ▶ Lean ideas applied to **new product design and development**
- ▶ **Shorter** product development cycles by adopting a combination of business-hypothesis-driven **experimentation**
- ▶ Highly popular in modern **startup** environments
- ▶ **Coexist** nicely with agile project management





**COPYING YOUR COMPETITOR  
WON'T HELP YOU BEAT YOUR  
COMPETITOR. YOU NEED TO THINK  
BEYOND YOUR COMPETITOR.**

**Gerhard Plenert and Bill Kirchmie**

# FINAL RANDOM THOUGHTS

- ▶ **Frameworks are just frameworks**, ultimately outside of the box approach is the only real differentiation
- ▶ Strategic thinking is important but don't **overplay** it either ("Shut up and run operations")
- ▶ A strategy is only useful if it is **known**, **shared**, and continuously **challenged** by all actors in an organisation
- ▶ Getting **external point of view** can be relevant (the psychoanalyst effect) but be careful when hiring expensive consultants
- ▶ **Share**, share and share. Nobody will steal your idea anyway.



# KEY TAKEAWAYS

- ▶ **Mission, vision** and **value** statements are all interesting tools to better understand a company strategic positioning
- ▶ The Business Model and Value Proposition Canvases are good **frameworks** to systematically decompose a business idea into key components
- ▶ **SWOT, BCG Matrix** and **Porter's 5 Forces** all aims at describing a specific aspect of a business position
- ▶ **Lean management** is first and foremost an operational management technique, but it also became a systematic way to think about product design and strategical positioning for small businesses