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

Michael E. Porter
“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
INTRODUCTION

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)
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<tr>
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<th>Tesla</th>
<th>Walmart</th>
<th>Amazon</th>
<th>CERN</th>
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<tbody>
<tr>
<td><strong>Vision</strong></td>
<td>To create the most compelling car company of the 21st century by driving the world's transition to electric vehicles.</td>
<td>To become the world wide leader in retailing</td>
<td>To be Earth’s most customer-centric company, where customers can find and discover anything they might want to buy online.</td>
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<td><strong>Mission</strong></td>
<td>To accelerate the world’s transition to sustainable energy</td>
<td>To help people save money so they can live better</td>
<td>We strive to offer our customers the lowest possible prices, the best available selection, and the utmost convenience.</td>
<td>Seeking and finding answers to questions about the universe. Advancing the frontiers of technology. Bringing nations together through science. Training the scientists of tomorrow.</td>
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<td><strong>Values</strong></td>
<td>?</td>
<td>Service to the Customer, Respect, Excellence, Integrity</td>
<td>Customer Obsession, Ownership, Invent and Simplify, Are Right, A Lot, Hire and Develop the Best, Insist on the Highest Standards, ...</td>
<td>Diversity, Integrity, Commitment, Professionalism and Creativity</td>
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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

- **Who will help you?**
  - Key Partners

- **How do you do it?**
  - Key Activities

- **What do you do?**
  - Value Proposition

- **How do you interact?**
  - Customer Relationships

- **Who do you help?**
  - Customer Segment

- **What do you need?**
  - Key Resources

- **How do you reach them?**
  - Distribution Channels

- **What will it cost?**
  - Cost Structure

- **How much will you make?**
  - Revenue Stream
Kelly’s Lemonade Stand: Refreshing Lemonade

**Key Partners:**
- Municipalities

**Key Activities:**
- Making lemonade
- Marketing
- Selling

**Value Proposition:**
- Cold tasty natural lemonade on-the-go

**Relationships:**
- Personal

**Customer Segment:**
- Park visitors

**Key Resources:**
- Ingredients
- Sales people
- Booth & equipment

**Channels:**
- Booth sale
- WWW.Kellyslemonade.com

**Cost Structure:**
- Ingredients
- Equipment
- Flyers

**Revenue Streams:**
- Salaries/commission
- Lemonade sales
- Tips
THE BUSINESS MODEL CANVAS

**Flickr: Photo Sharing**

- **Key Partners**: Yahoo!
- **Key Activities**: Platform management, Selling
- **Key Resources**: Flickr platform brand
- **Value Proposition**: Free basic photo sharing, Premium photo sharing
- **Relationships**: Mass customized
- **Channels**: Flickr.com, Yahoo.com
- **Customer Segments**: Casual users, High volume users
- **Cost Structure**: Platform development, Storage cost
- **Revenue Streams**: Free limited basic account, Annual subscription pro account
“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)
THE VALUE PROPOSITION CANVAS
THE VALUE PROPOSITION CANVAS

THE HILTI CASE RELOADED
**THE SWOT ANALYSIS**

- **SWOT** is a structured “audit” method that evaluates four elements of an organisation, project or business venture: strengths, weaknesses, opportunities, and threats.

- It can be used 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!
EVALUATING BUSINESS SITUATIONS

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.