



Partners for a better workplace

The Business Model and Business Strategy

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Our Goals Today

- Understand the concept of the business model and business model innovation with the aim of being a better Strategic Business Partner
- Understand the concepts and components of: Core Strategy, Strategic Resources, Customer Interface, and Value Network
- Examine how *your* organization competes in the marketplace and its strategic focus
- Identify where the Human Resource component fits in this model for your organization
- Identify opportunities for personal development of your understanding of your business model and how you can serve as a Strategic Business Partner
- Give you the “***Strategic Vocabulary***” to develop your Strategic Business Partner profile

Questions:

How does your organization view the role of HR?

What is the main responsibility of HR in the organization?

How does HR bring value to your organization?

Is the role of HR changing in your organization? How?

Do you think the work you are doing is strategic? Why or why not?

Core HR Functions

- Recruitment and Selection
- Performance Evaluations
- Compensation and Benefits
- Training and Development
- Employee Relations
- Policy and Procedures
- Health, Safety and Security

Common Misconceptions about HR

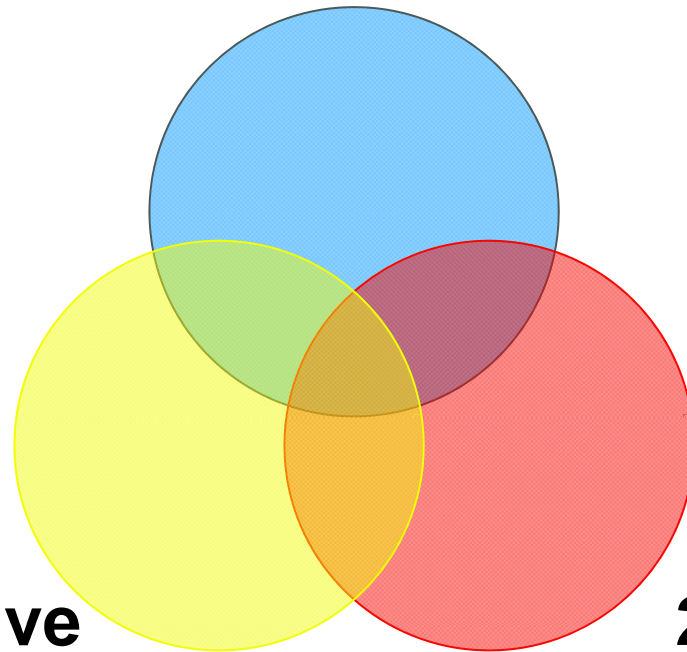
- HR is primarily an administrative function.
- HR has little strategic importance and does not represent a potential source of an organization's competitive advantage.
- HR is a “cost center” – its activities add to an organization's expenses/costs but not to revenue generation.

Overcoming these Misconceptions

- HR can – and should – play a key role in an organization’s strategy.
- There is increasing evidence that HR activities are associated with various indicators of organizational performance (e.g., ROI, profitability, stock prices).
- Money put toward HR systems and activities should be viewed as investment rather than simply cost.

Roles of HR

1. Strategic



3. Administrative

2. Operational

How HR is Changing?

Traditional HR

- Functional experts
- Reactive/order takers
- Focus on tactical, transactional, policing, compliance role
- Activity focused

Progressive HR

- Industry/business experts
- Proactive
- Focus on becoming a strategic partner or internal consultant
- Results focused

The “New” DNA of HR

- Show a Return on Investment
- Build a performance culture
- Develop Flexible HR strategies
- Provide managers with effective tools
- Anticipate the dots and connect them
- Become a source of competitive advantage

***Become a Strategic
Business Partner***

Let's Talk Strategy!

“New business models are more than disruptive *technologies*, they are completely novel business concepts. They are more than *replacements* for what is. Instead, they open up ***entirely new*** possibilities.”

Some Definitions:

- **Business Model** —business concept put into place
- **Business Concept Innovation** —the capacity to imagine dramatically different business concepts or dramatically new ways of differentiating existing business concepts...it is the KEY to creating new wealth.

Business Concept Innovation

- The goal is to introduce more strategic variety into an industry or competitive domain.
- Want to avoid ***strategic convergence*** in an industry.
- Goes beyond incremental innovation—avoid the “curse of competence.”
- ***Wal-Mart*** and ***Southwest***—changed the business concept within an industry...others?

Business Concept Innovation

- Create a concept that hasn't been seen before – that incumbents have no answer for.
- Competitors left with tough decision:
 - Abandon tested business model and risk sacrificing their core business for a second-place finish or...
 - If they don't embrace the new model, they forgo the future

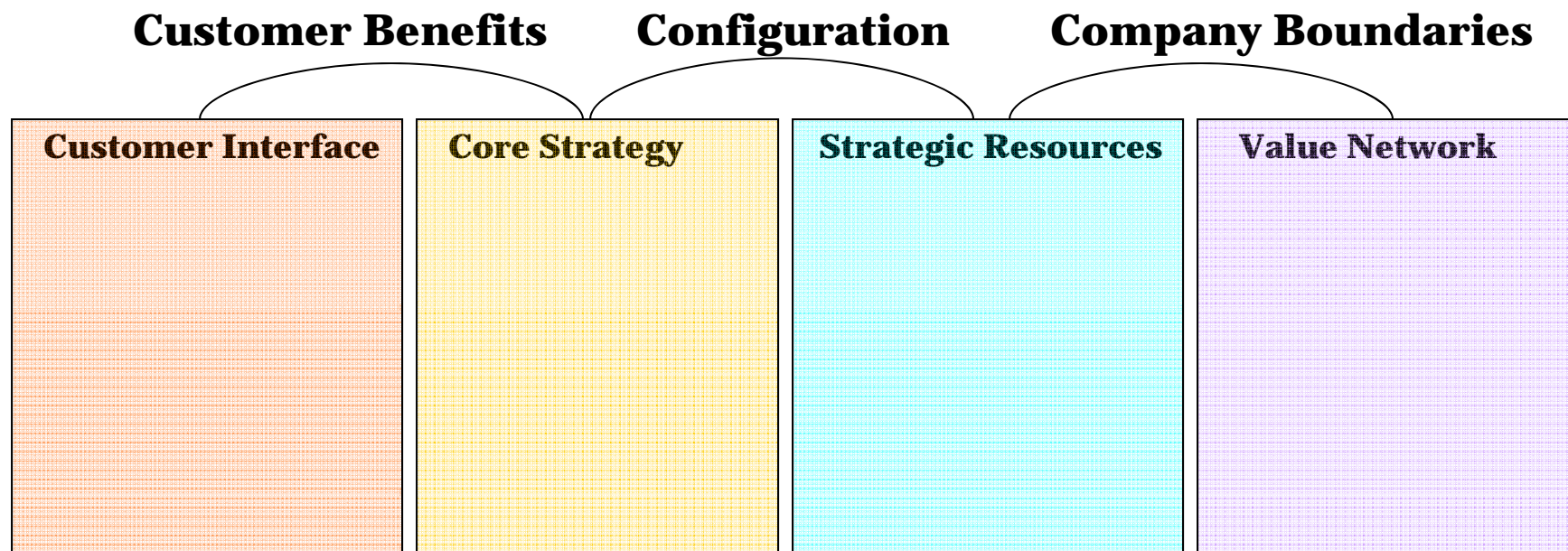
Business Concept Innovation

- Not just about competitive strategy. It's not a way of positioning *against* competitors, but of going ***around*** them. It's based on ***avoidance***, not *attack*.

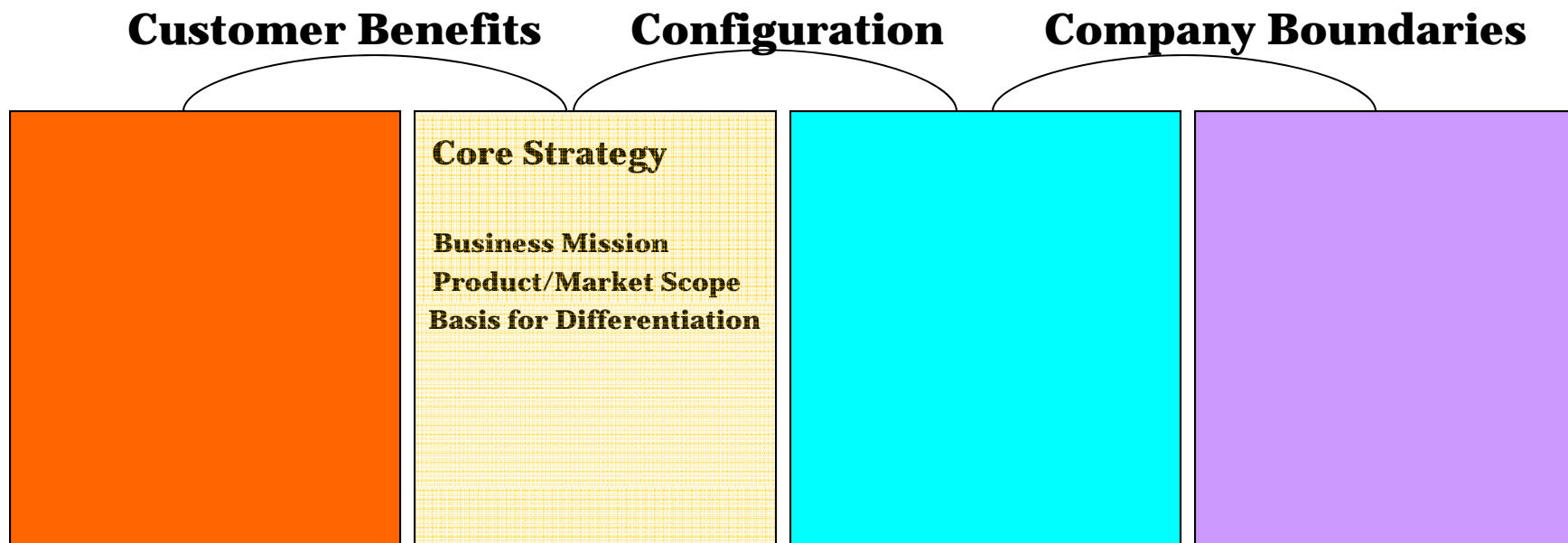


- ***What is not different, is not strategic.***
- Must be able to identify, deconstruct, and then reconstruct the business model.

The Business Model



The Business Model



Core Strategy

- **Business Mission**

- Captures the overall *objective* of the strategy
- What are we becoming as a company?
- Do we describe a “from” and a “to”?
 - What difference do we want to make in the world?
 - Is it sufficiently broad enough to allow for business concept innovation?
 - Is our business mission relevant to our customer?

Core Strategy

- **Product/Market Scope**

- Captures the *where* the firm competes

- Which customers, which geographies, and what product segments?

- Where *don't* we compete?

- Could we offer our customers something closer to a “total solution” to their needs by expanding our product scope?

- Would a different definition of scope allow us to capture more of the life cycle profits?

- Are there types of customers who have typically been ignored by companies in our industry?

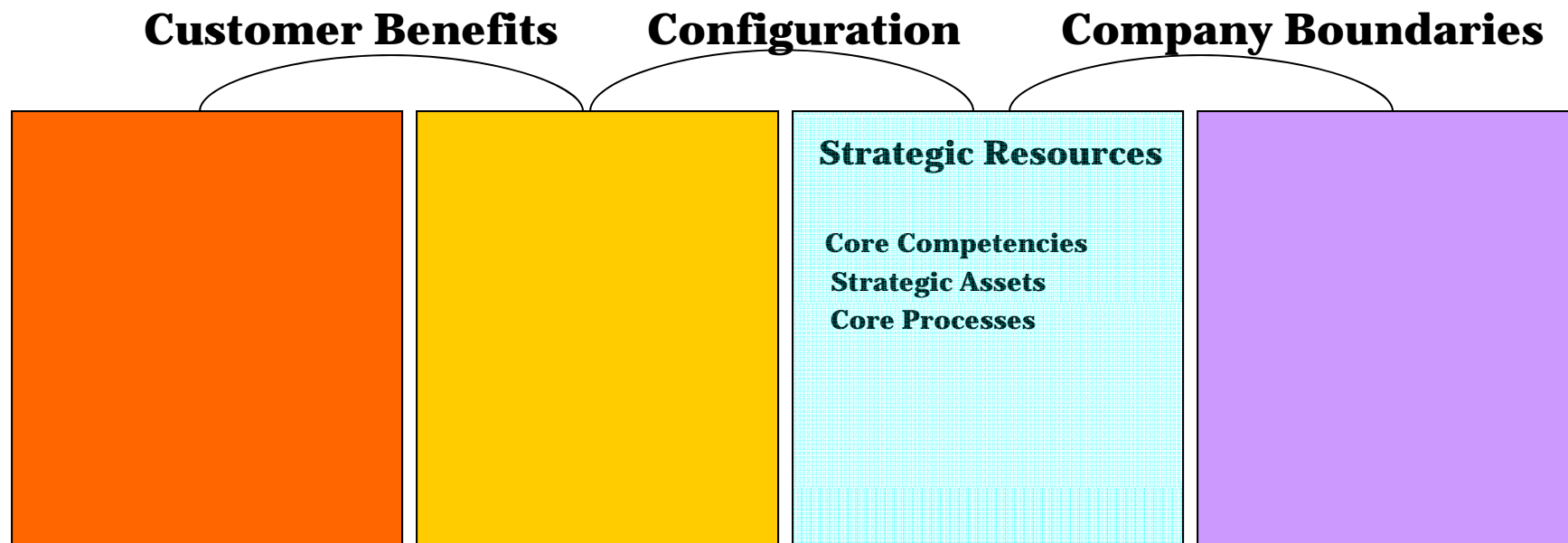
Core Strategy

- **Basis for Differentiation**

- Captures the essence of *how* the firm competes and how it competes *differently* than competitors

- How have competitors tried to differentiate themselves in our industry?
 - Are there other dimensions of differentiation we could explore?
 - In what aspect of the product or service has there been the *least* differentiation?

The Business Model



Strategic Resources

- **Core Competencies**
 - What the firm knows
 - Encompasses skills and abilities
 - What do we know that is:
 - **Unique?**
 - **Valuable to customers?**
 - **Transferable to new opportunities?**
 - Are there skills we don't possess that could undermine our traditional competencies?

Strategic Resources

- **Strategic Assets**

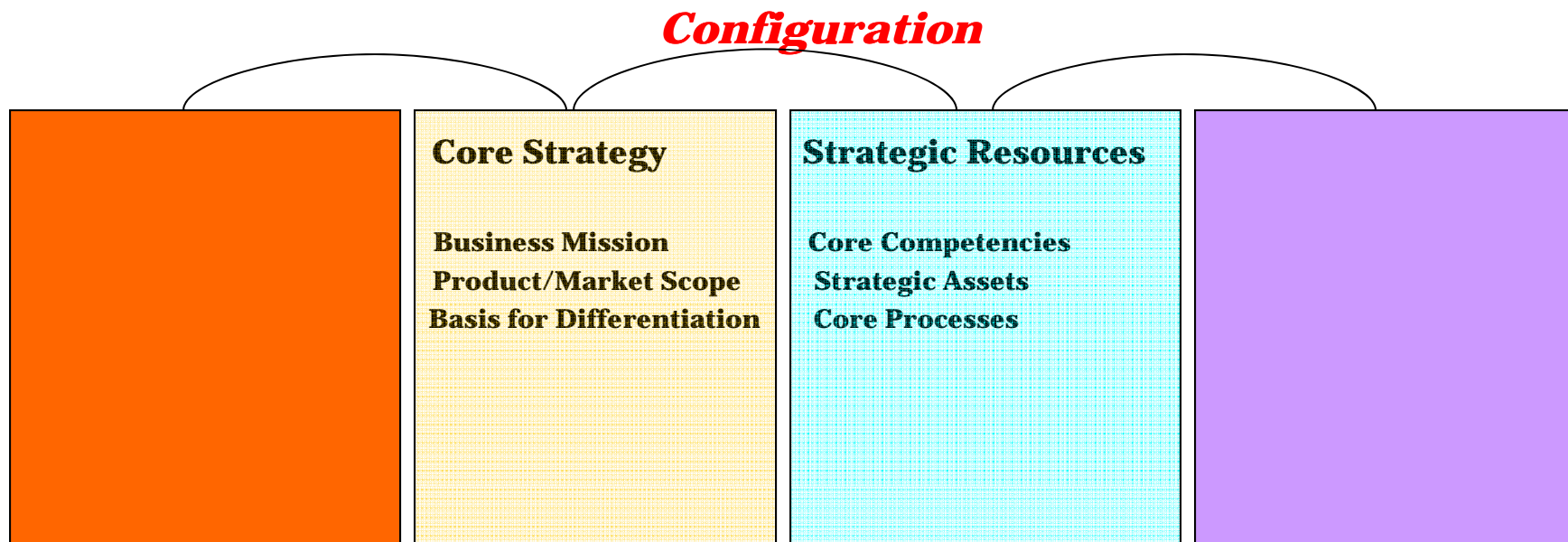
- Assets the firm owns
- Brands, patents, infrastructures, proprietary rights, customer data, etc.
- Anything that is rare *and* valuable
 - How can we exploit our assets in new ways to bring new value to our consumer?
 - Could our assets be valuable in another industry?
 - Can we build a new business model to exploit our existing assets?

Strategic Resources

- **Core Processes**

- What people in the firm actually *do*.
- Methodologies and routines that transform inputs into outputs.
- Activities that translate competencies, assets and other inputs into value for customers.
 - What are our most important processes?
 - Which ones create value for the customer?
 - Which ones are the most unique?

The Business Model

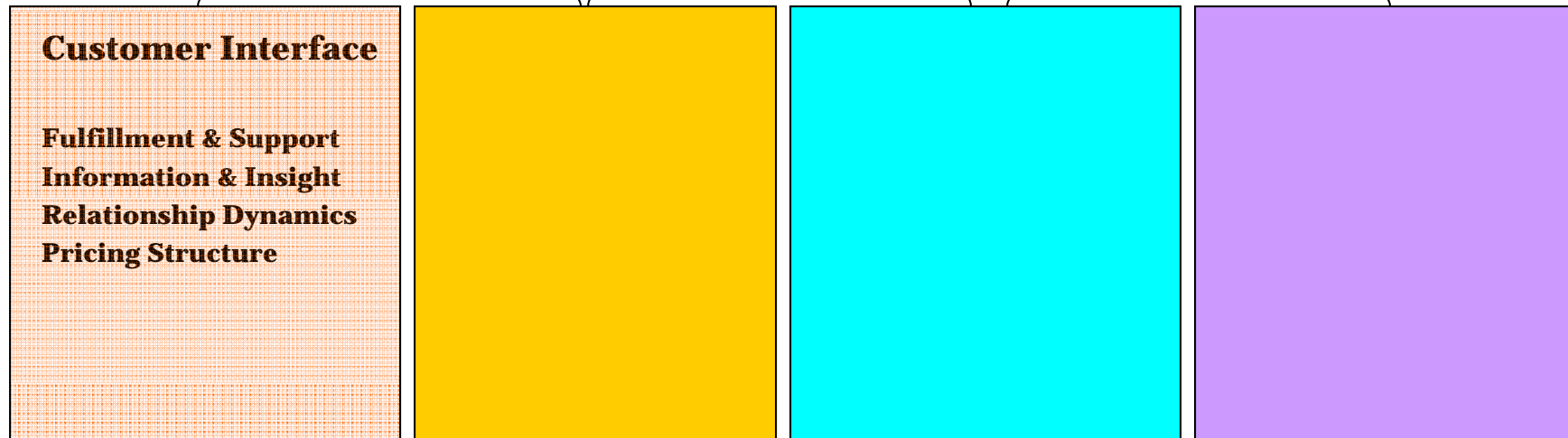


Configuration

- “The unique way in which competencies, assets, and processes are combined and interrelated in support of a particular strategy.”
- “Refers to the linkages between competencies, assets, and processes and how those linkages are managed.”
 - Chrysler—organized their buildings differently
 - Virgin Direct—linked a variety of financial accounts together to offer better service and product offerings

The Business Model

Configuration



Customer Interface

- **Fulfillment and Support**

- How a firm goes to market, how it actually reaches the customers
- Which channels it uses, what kind of customer support it offers, and what level of service it provides
 - How do we reach our customers?
 - What does the customer have to “go through” to buy our products or services?
 - Can we make the fulfillment process easier and more enjoyable for our customers?

Customer Interface

- **Information and Insight**
 - The knowledge that is collected from and utilized on behalf of our customers
 - Also the ability for a company to extract insight from this information—pre- and post-sale information
 - What do we actually know about our customers?
 - Are we deepening our knowledge of them?
 - How do we use this knowledge to serve them in new and better ways?

Customer Interface

- **Relationship Dynamics**

- The nature of the interactions between the producer and consumer
- Face to face? Indirect?
- How easy is it for the customer to interact with us?
 - How do we make our customers feel?
 - Could we reinvent the customer experience in ways that would strengthen the sense of affiliation the customer has with us?

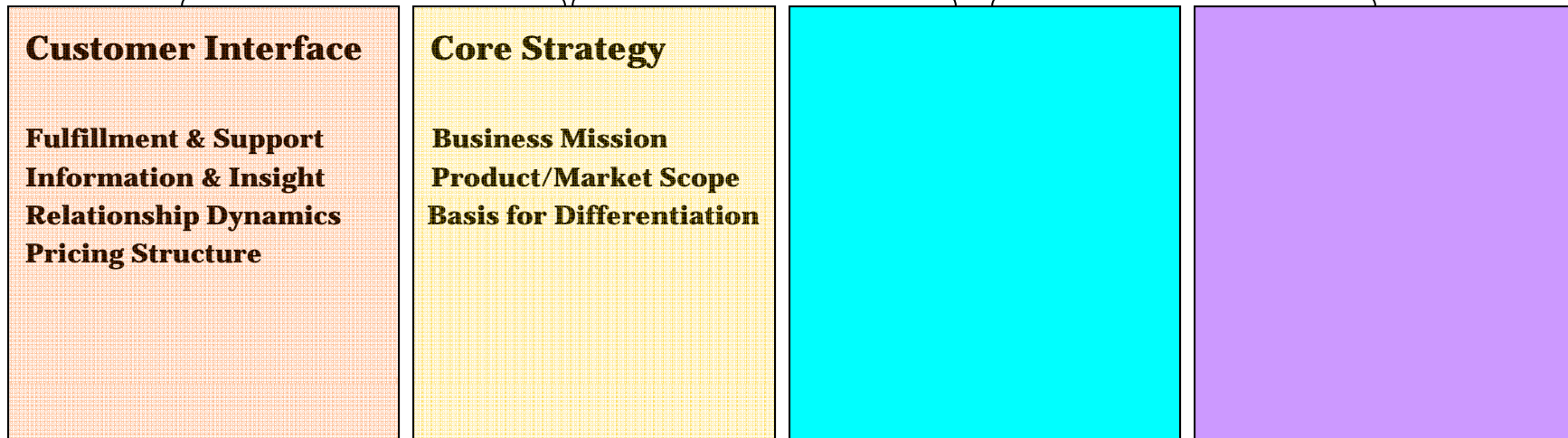
Customer Interface

- **Pricing Structure**
 - What do we charge for? How do we charge them?
 - How we charge people and what we charge them for offers new ways to approach business concept innovation.
 - How do we charge in relationship with the dominant industry paradigm? Can we break it?
 - Are we charging for what customers value?

The Business Model

Customer Benefits

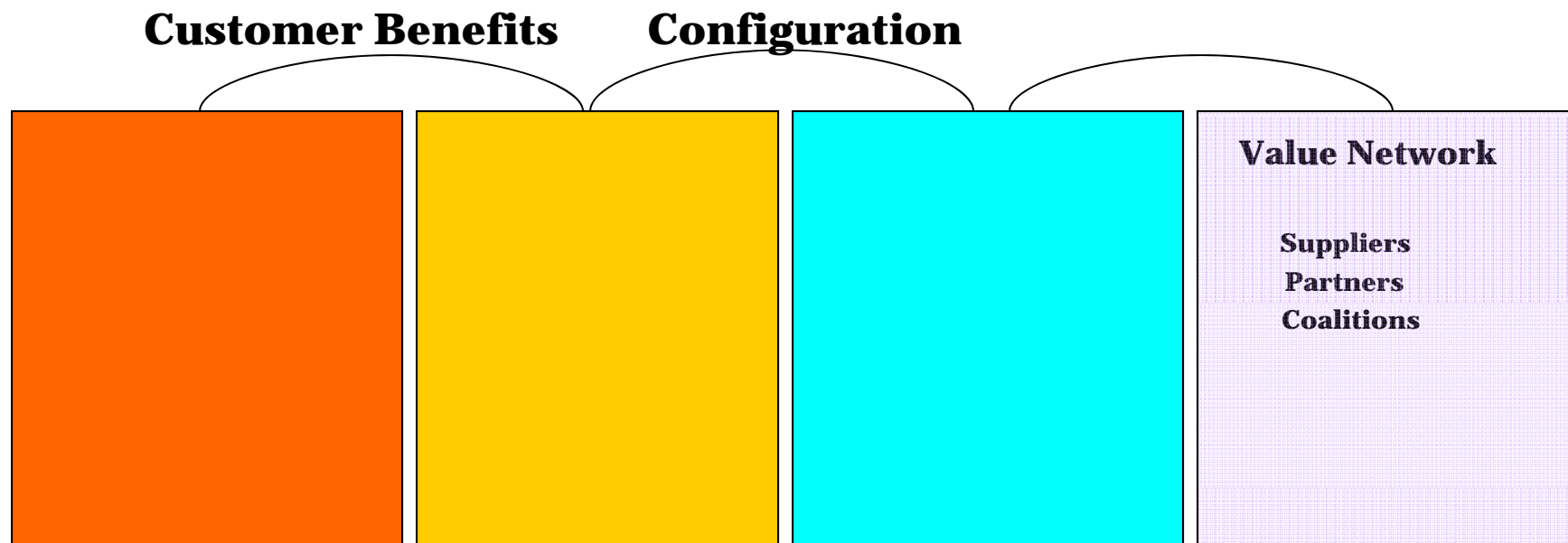
Configuration



Customer Benefits

- **Benefits**—*customer-driven* definition of the basic needs and wants that are being satisfied.
- They link the strategy to the needs of the customer
 - What we *are* or *aren't* going to offer the customer is important to the development of the business concept?
 - Are we offering the benefits the customer wants? Have we defined their needs broadly enough?
 - Can we change the bundle of benefits to surprise our customers and frustrate competitors?

The Business Model



Value Network

- **Suppliers**

- Reside “up the value chain”

- How effectively are we using suppliers as a source of innovation?
 - Do we regard them as integral to our business model?
 - Do we gain competitive advantage from the way we manage this linkage?
 - How closely are our business goals aligned with those of our suppliers?

Value Network

- **Partners**

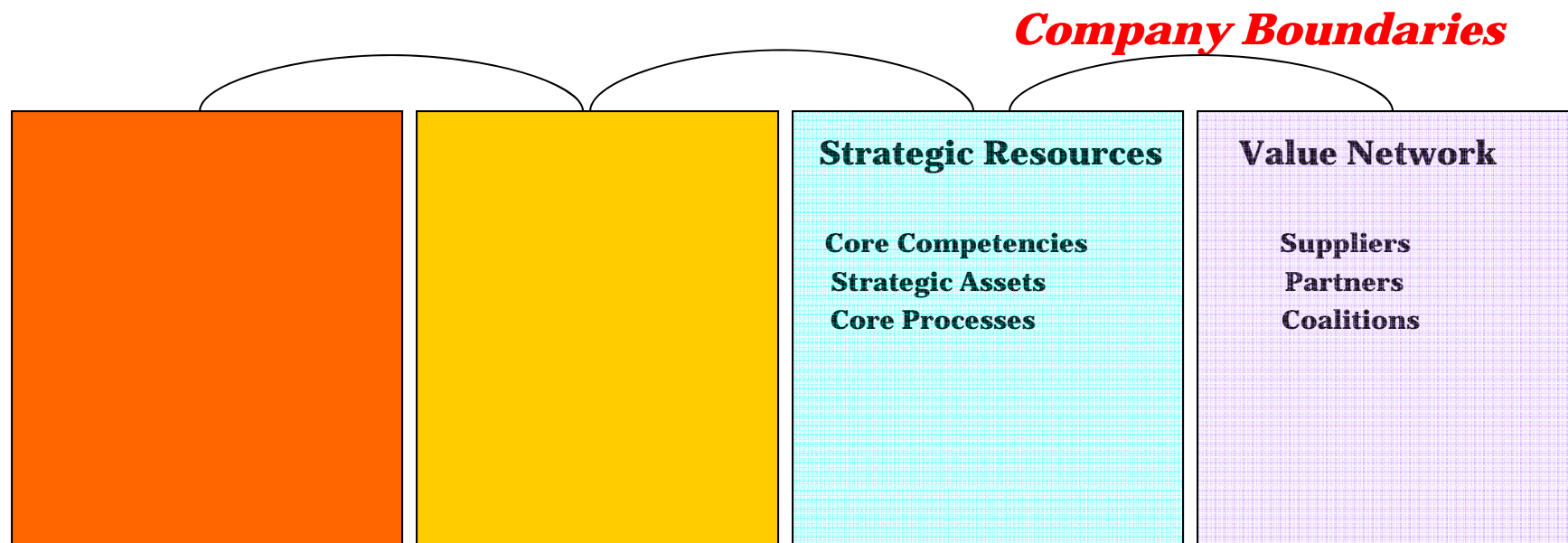
- More horizontal than suppliers
- Supply critical “complements” to a final product “solution”
- Imaginative use of partners can be key to innovation!
 - Do we see the world as a global reservoir of competencies?
 - How can we use partners to achieve greater flexibility, focus more on our competencies, build a first-mover advantage, or offer a more complete solution to our customers?

Value Network

- **Coalitions**

- Joining together of like-minded competitors
- Works well in areas where there is high investment in technology or where the risk of investing can be too high for one to bear.
- Airbus Industrie is an example—coalition between French , German, British and Spanish companies

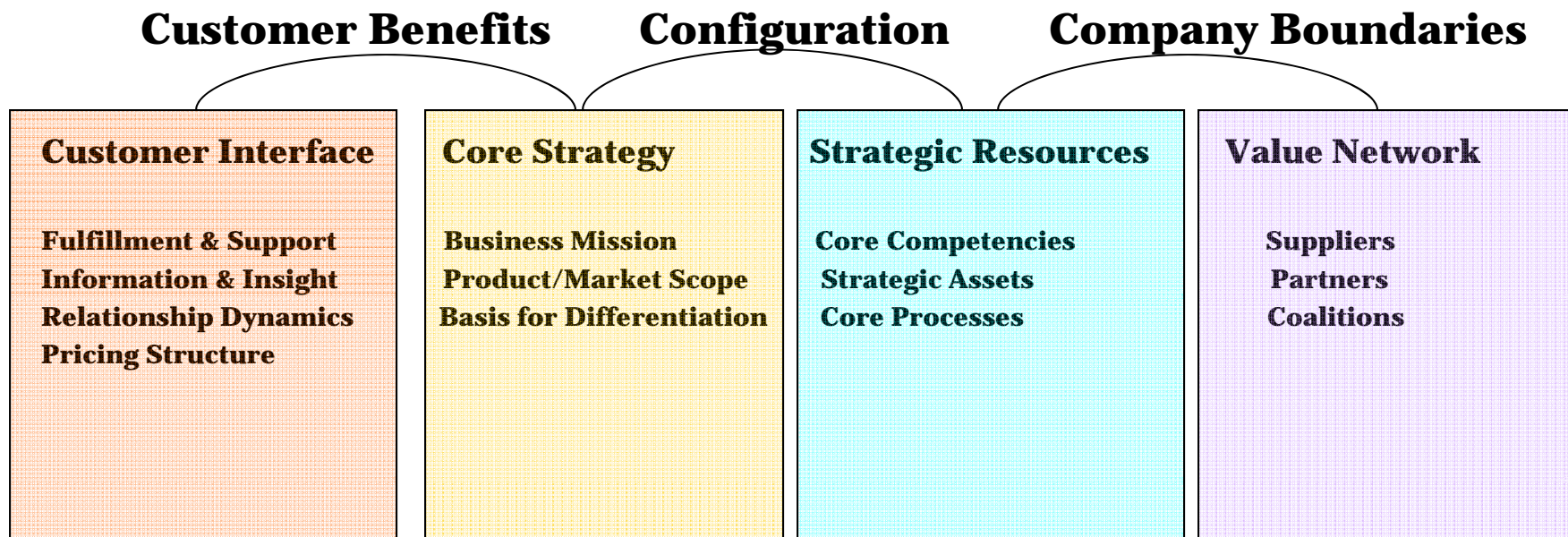
The Business Model



Company Boundaries

- “The decisions that have been made about what the firm does and what it contracts out to the value network”
- The decision of what a firm will *do* and what a firm will *outsource* is an important aspect of the business model

The Business Model



SO WHAT??

- To be an industry revolutionary, you need a point of view on how you're going to inject innovation into each component of the business model.
- Need a “compelling story” about how your business concept is going to *make money!*
- What factors determine the wealth potential of the business concept?...

Wealth Potential...

- 1. The extent to which the business concept is an ***efficient*** way of delivering customer beliefs
- 2. The extent to which the business concept is ***unique***
- 3. The degree of ***fit*** among the elements of the business concept
- 4. The extent to which the business concept exploits ***profit boosters*** that have the potential to generate above average returns.

To Tie It Together...

Examine the underlying orthodoxies of your business model—how you do business and with whom you do business?

You do this by subjecting each element of the existing model to fresh scrutiny:

What are the alternatives?

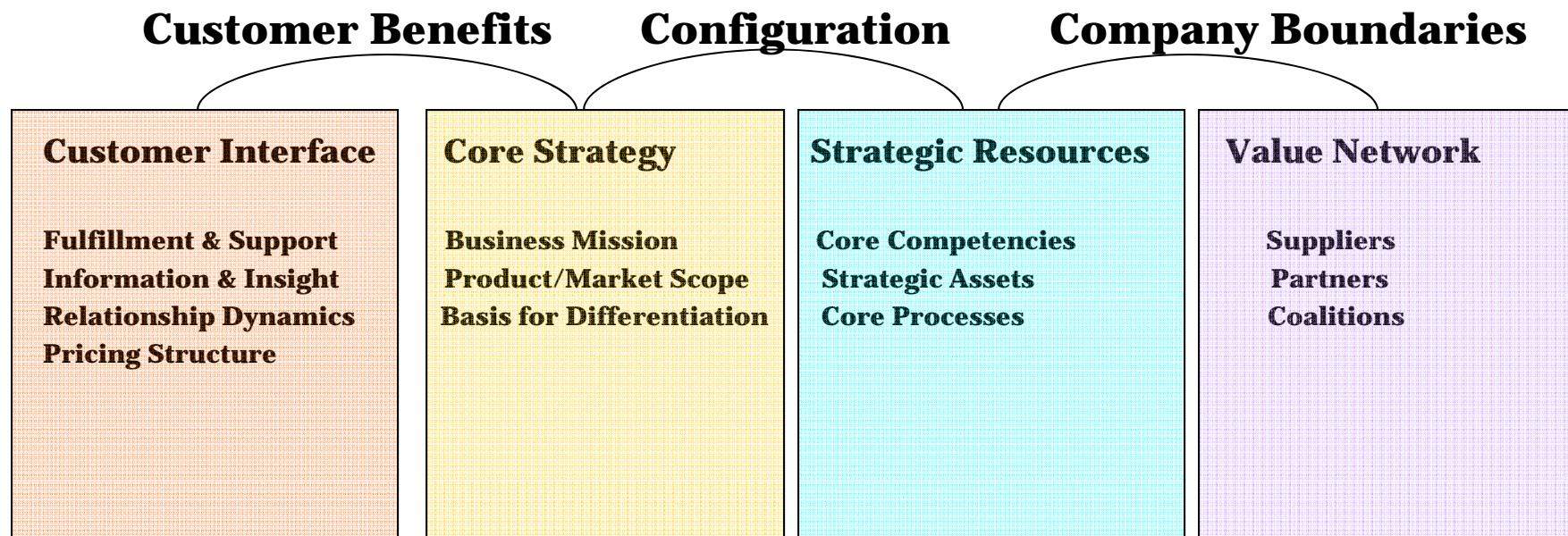
Does this choice still have merit?

How would a company free of our prejudices tackle this?

Have You Asked Yourself...

- How do the things I currently do add to my company's competitive advantage?
- How do these things add value to the customer?
- How do these things support our company's mission/vision/values statement (s)?
- Does the HR function in my organization add to our Business Concept Innovation?

Where Can HR Fit in this Model?



To Be a Strategic Business Partner...

- Speak “their” language
- Know what is important to “them”
- Know the businesses; know what your partners are measured on and how they are measured
- How do your responsibilities link to their roles, responsibilities and measurables
- Be open to conversation
- Know how what you do is important to supporting the quest for sustainable competitive advantage, supporting the strategic intent of the organization, and adding value to the customer

“Perhaps the organizational brain trust believes that their competitive advantage comes from the top. They seem to spend an inordinate amount of money recruiting executives, but fail to recognize the importance of their own mantra that ‘the organization’s number one asset is its people’. If this were the case, wouldn’t the HR group be given a much more important role in the organization?”

(Bartlett and Ghoshall, 2002: 37)



References and Reading

- *Leading the Revolution* by Gary Hamel. 2000.
- “Building competitive advantage through people.” Bartlett and Ghoshal. *Sloan Management Review*. Winter, 2002.

