

MODULE 1: DETRIVIALIZING SHARED VALUE

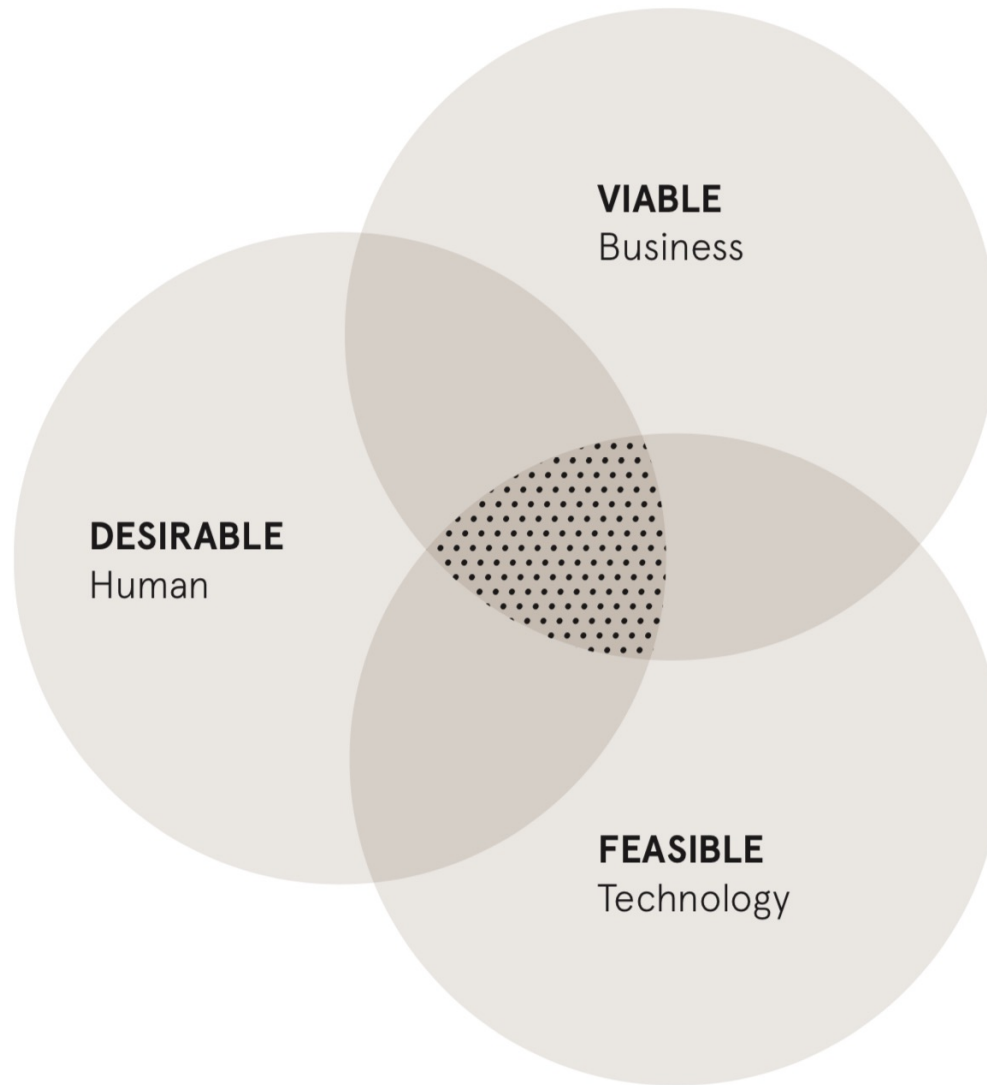
7.3.2022

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TODAY'S SCHEDULE

- Introduction
- The course structure
- **Keynote: Business model and shared value as concepts**
- Preparing for Thursday
- Q&A

TRANSDISCIPLINARY APPROACH



WHAT IS BUSINESS MODEL?

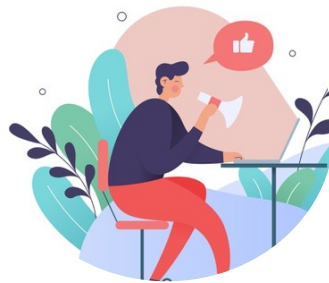
BUSINESS MODEL ELEMENTS

Value target



Who is our customer?

Value proposition



What value do we deliver?

Value constellation



How do we deliver the value?

Value capture



Why do we do this?

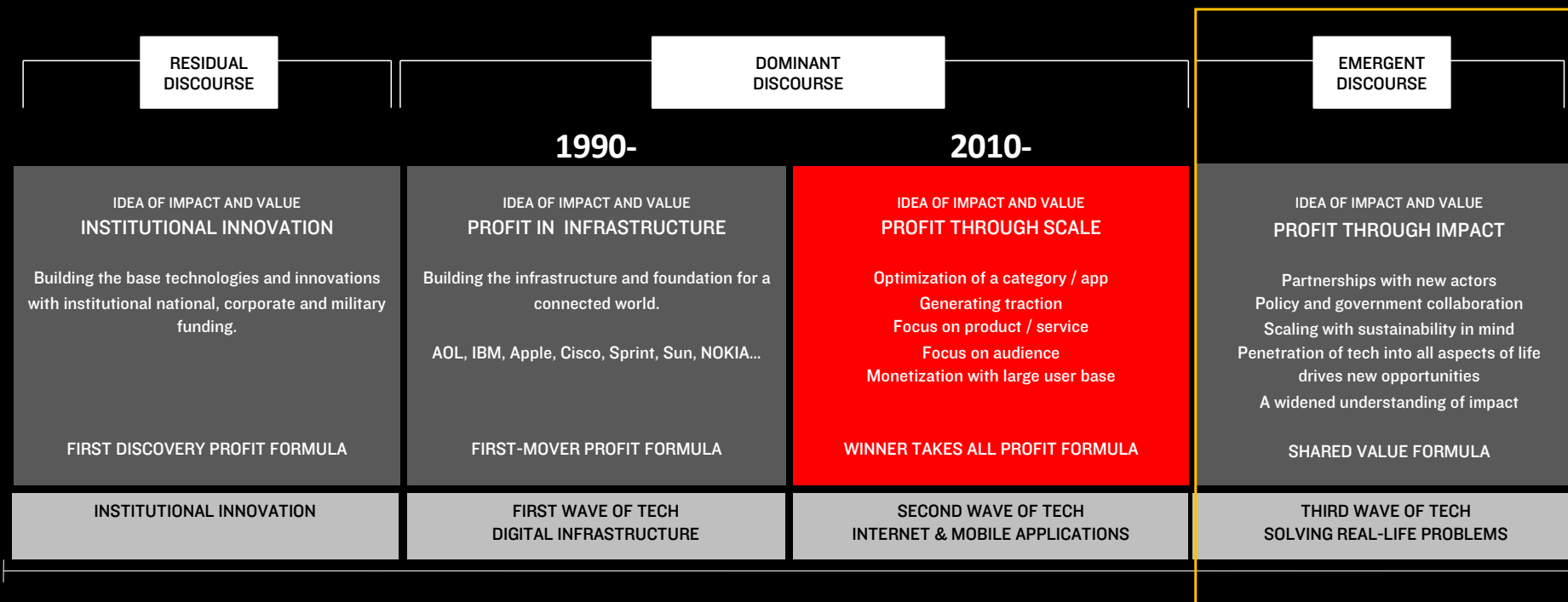
Value creation + value capture

More modern perspective:

Value creation + ~~value capture~~

Value sharing among
the contributors

A NEW VALUE LOGIC IS EMERGING



DISCUSSING THE SHARED VALUE CONCEPT

Let's discuss in groups

- Is shared value something more than neatly wrapped marketing message and "sustainability responsibility wash"?
- How to embrace value sharing in business?

REFLECTING THE READINGS

- Michael Porter: Why business can be good at solving social problems. <https://youtu.be/0ilh5YYDR2o> (video)
- Crane, A., Palazzo, G., Spence, L. J., & Matten, D. (2014). Contesting the value of "creating shared value". *California management review*, 56(2), 130-153.

BUSINESS MODEL IS A MIDDLE LEVEL CONCEPT

descriptions are neither so general that they fail to distinguish the main differences between firms...

...nor are they so absolutely particular that they cover every last detail of contract and activity. (Baden-Fuller & Morgan, 2010)



DIVERSITY IN BUSINESS MODEL DEFINITIONS

| Author | Definition |
|----------------------------------|--|
| Teece | How a firm delivers value to customers and converts payment into profits |
| Zott & Amit | A system of interdependent activities that transcends the focal firm and spans its boundaries. |
| Williamson | Cost innovation business model offers advantages in radically new ways meaning more for less. |
| Gambardella & McGahan | Business model is a mechanism for turning ideas into revenue at reasonable cost |
| Itami & Noshino | business model is a profit model, a business delivery system and a learning system |
| Yunus, Moingeon & Lehmann-Ortega | A value system plus a value constellation |
| Casadesus & Ricart | The logic of the firm, the way it operates and how it creates value for its stakeholder |
| Demil & Lecoq | The way activities and resources are used to ensure sustainability and growth |
| Sabatier, Rousselle & Mangematin | Cross roads of competence and consumer needs |

VALUE PROPOSITION

A value proposition is a promise of value to be delivered, communicated, and acknowledged.

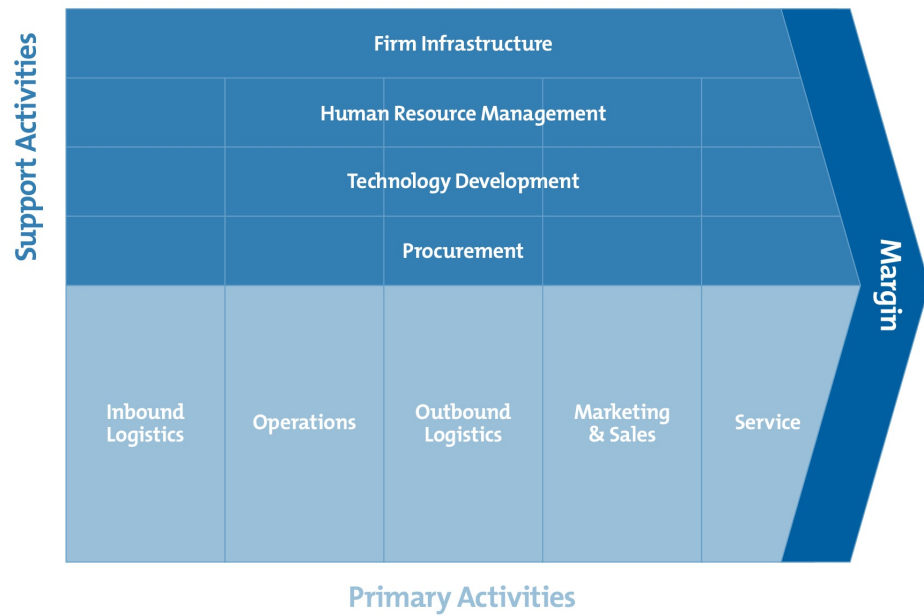
Example value propositions:

UBER- – The Smartest Way to Get Around

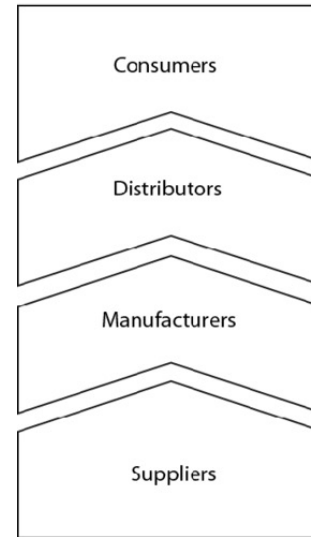
Slack – Be More Productive at Work with Less Effort

Digit – Save Money Without Thinking About It

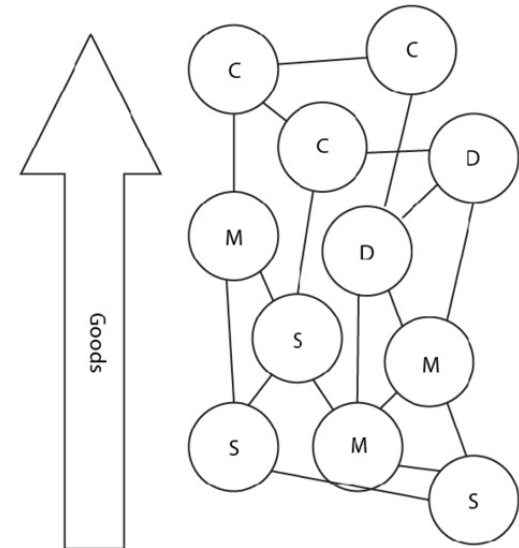
VALUE CONSTELLATION



Value based on production of goods and services



Value based on knowledge exchange driving proactive production



PROFIT MECHANISM I.E. VALUE SHARING

The way in which the company earns profits. There might be primary mechanism and then secondary mechanism and also non monetary benefits.

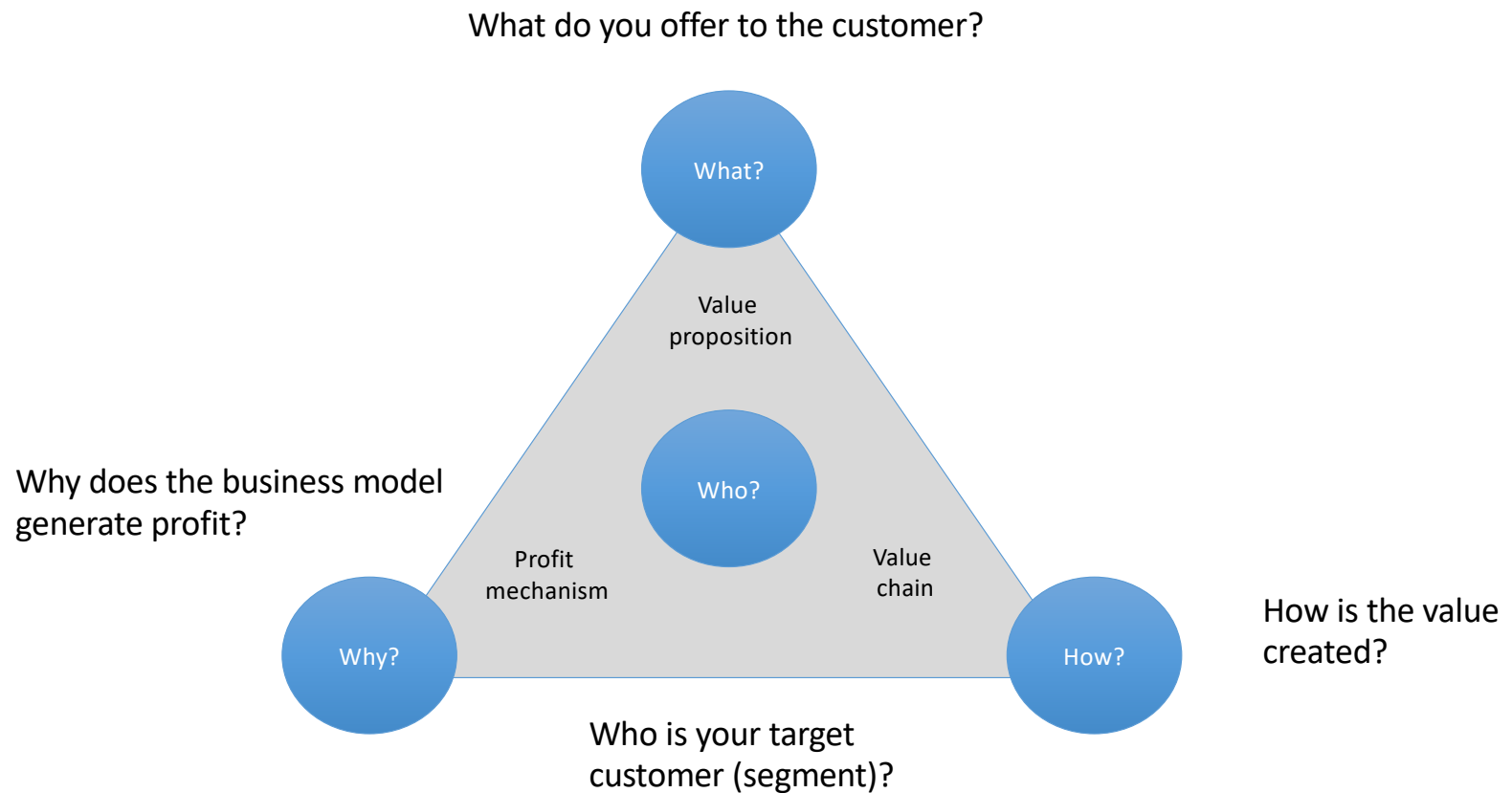
E.g. Subscription (monthly fee), transaction, advertising, licensing, sponsorship etc.

- + value sharing formula among parties involved in value creation
- + governance mechanism of the sharing formula

VALUE TARGET

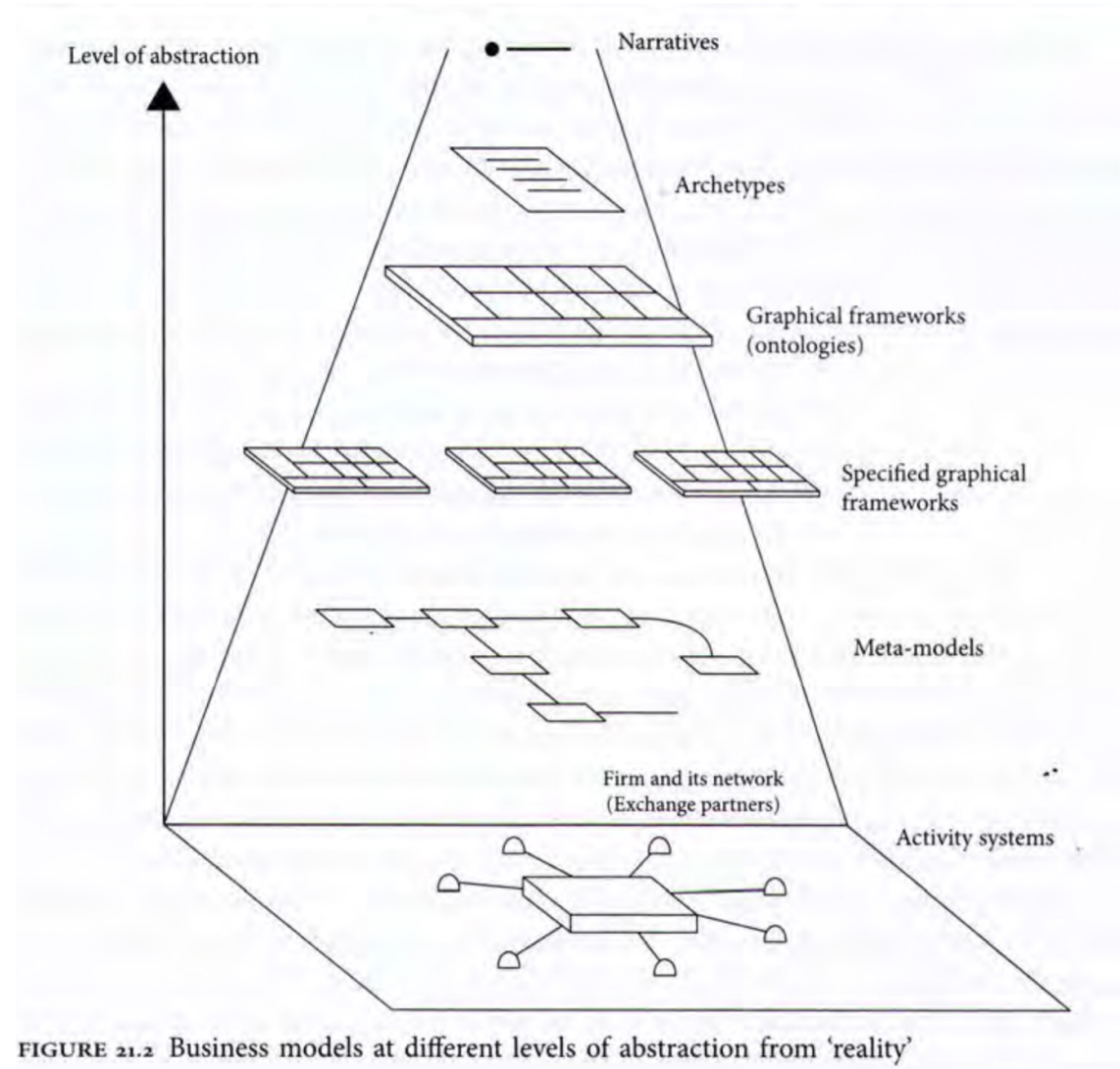


INTEGRATIVE CONCEPT: BUSINESS MODEL TRIANGLE



MODELLING A BUSINESS OR BUSINESS PROTOTYPE

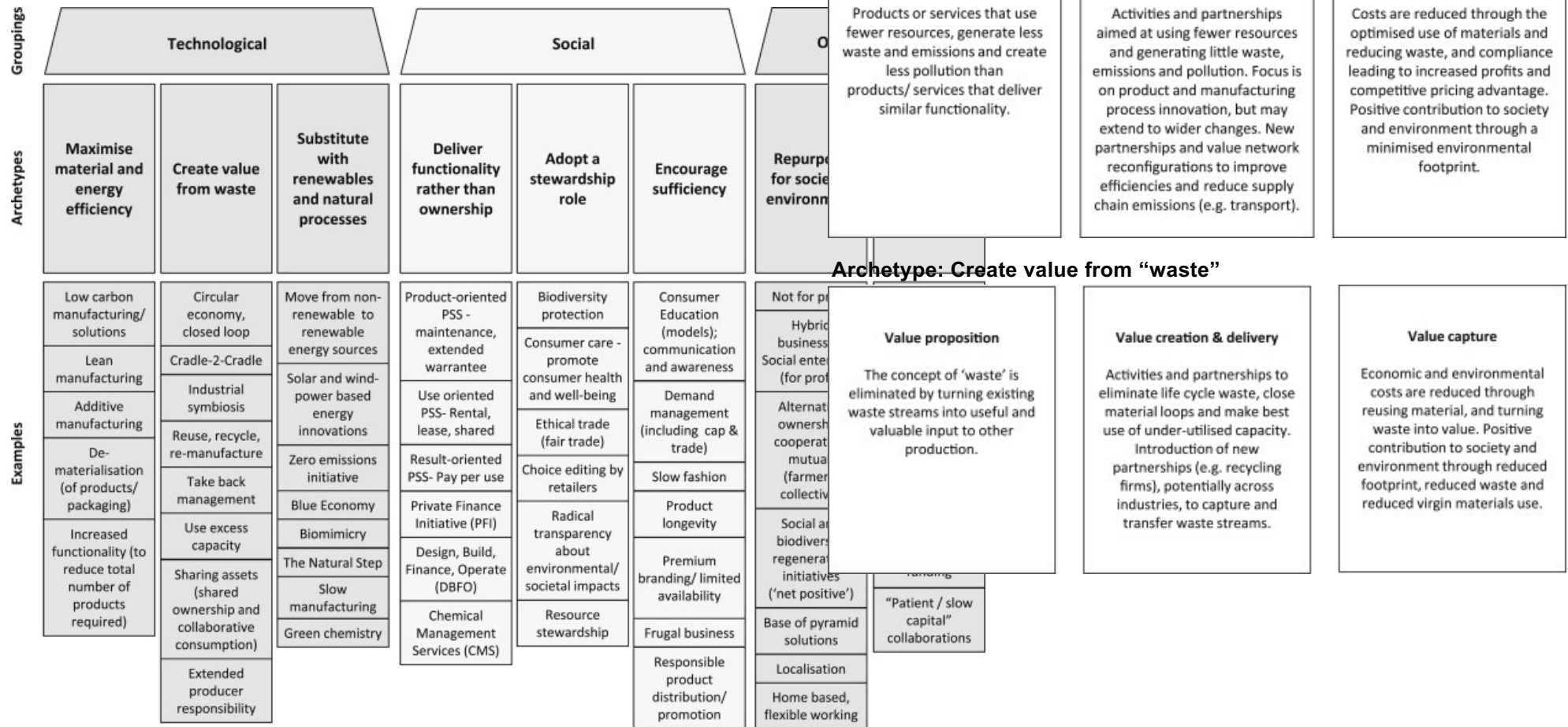
MODELING THE BUSINESS MODELS – DIFFERENT LEVELS OF ABSTRACTION



BUSINESS MODELING: NARRATIVES



BUSINESS MODELING: ARCHETYPES



BUSINESS MODELING: GRAPHICAL FRAMEWORKS (ONTOLOGIES)

The Business Model Canvas

Designed for:

Designed by:

Date:

Version:

| | | | | |
|---|---|--|--|--|
| <div style="text-align: center;">Key Partners</div> <p>Who are our key partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?</p> <p>KEY PARTNERS Distribution and delivery Production of raw and secondary Acquisition of particular resources and activities</p> | <div style="text-align: center;">Key Activities</div> <p>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams?</p> <p>KEY ACTIVITIES Production Platform building Distribution channel</p> | <div style="text-align: center;">Value Propositions</div> <p>What value do we deliver to the customer? Which one of our customer's problems are we solving to solve? What bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying?</p> <p>VALUE PROPOSITIONS Personalization Customization Convenience Cost Reduction Risk Reduction Accessibility Performance Reliability</p> | <div style="text-align: center;">Customer Relationships</div> <p>What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which ones have we established? How are they integrated with the rest of our business model? How costly are they?</p> <p>CUSTOMER RELATIONSHIPS Personalized Individual Personal Assistance Self-Service Automated Services Communities Co-creation</p> | <div style="text-align: center;">Customer Segments</div> <p>For whom are we creating value? Who are our most important customers?</p> <p>CUSTOMER SEGMENTS Mass Market Niche Market Segmenter Innovator Multi-segment Platform</p> |
| <div style="text-align: center;">Key Resources</div> <p>What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</p> <p>KEY RESOURCES Physical Intellectual Human Financial</p> | | <div style="text-align: center;">Channels</div> <p>Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines?</p> <p>CHANNELS Direct Indirect Partners Retailers Distributors Agents Dealers Wholesalers Retailers Distributors Agents Dealers Wholesalers</p> | | |
| <div style="text-align: center;">Cost Structure</div> <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>COST STRUCTURE Fixed Costs Variable Costs Semi-variable Costs Overhead Costs Cost of Sales Cost of Distribution Cost of Customer Support Cost of Marketing Cost of Sales Cost of Distribution Cost of Customer Support Cost of Marketing</p> | | <div style="text-align: center;">Revenue Streams</div> <p>For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each Revenue Stream contribute to overall revenues?</p> <p>REVENUE STREAMS Fixed Fee Usage Fee Subscription Fee Licensing Advertising Transaction Fee Product Feature dependent Customer segment dependent Volume dependent Usage dependent Performance dependent Time dependent Usage dependent Performance dependent Time dependent</p> | | |

DESIGNED BY: Business Model Foundry AG
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KEY TAKEAWAYS

- Ongoing shift toward the logic of value sharing in business (models)
- Business model is a middle range concept
- Diverse definitions, converging into three elements
- Modeling a business requires selection of abstraction level

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PREPARING FOR THURSDAY

- Same workshop runs two times: 9-11 (Classroom), 12-14 (Zoom). You have already selected a group in MyCourses.
- We will run a set of tasks: instructions will be in Mycourses later today so you will know what needs to be done.
- Tasks are done in teams of 3-4 persons. Teams are posted in MyCourses. New teams each week.
- I will soon open breakout rooms in which you can discuss with your team shortly. Three things we need you to do for Thursday:
 1. **Select** a case company
 2. **Familiarize yourself with** the case company (generally, using webpages)
 3. **Read the article** (individually)

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Questions?

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Office Hour Friday 10-11 (pre-booking needed)