

BUSINESS MODEL DESIGN

Module 2: What it takes to put value first?

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LEARNING OBJECTIVES

- Compare different perspectives to value propositions
- Perform the systematic value proposition design process

WE CONTINUE FROM...

...Identifying the possible sweet spots in creating value in multi stakeholder environment (**with** Value Mapping Canvas)

...To communicating that value for variety of stakeholders and beyond (**with** Value Proposition Frameworks)

TODAY'S SCHEDULE

- **Recap from last week**
- Article Summary: “Value propositions: A service ecosystems perspective”
- Keynote: Exploring the infinite dimensions of value
- Preparing for Thursday workshop

QUESTIONS THAT WERE BROUGHT UP DURING LAST WEEK

WHAT EXACTLY IS THIS VALUE DESTRUCTION?

Very often things have two sides, while you create value you might also destroy value (potential) of some other stakeholder.

Examples:

Aim:
Saving forests for the carbon sink (creating value for society at large)



Aim:
Creating living by forestry

Aim:
Mass producing tasty food fast



Aim:
Enabling efficient use of natural resources

Misalignment of value

FURTHER REFERENCES

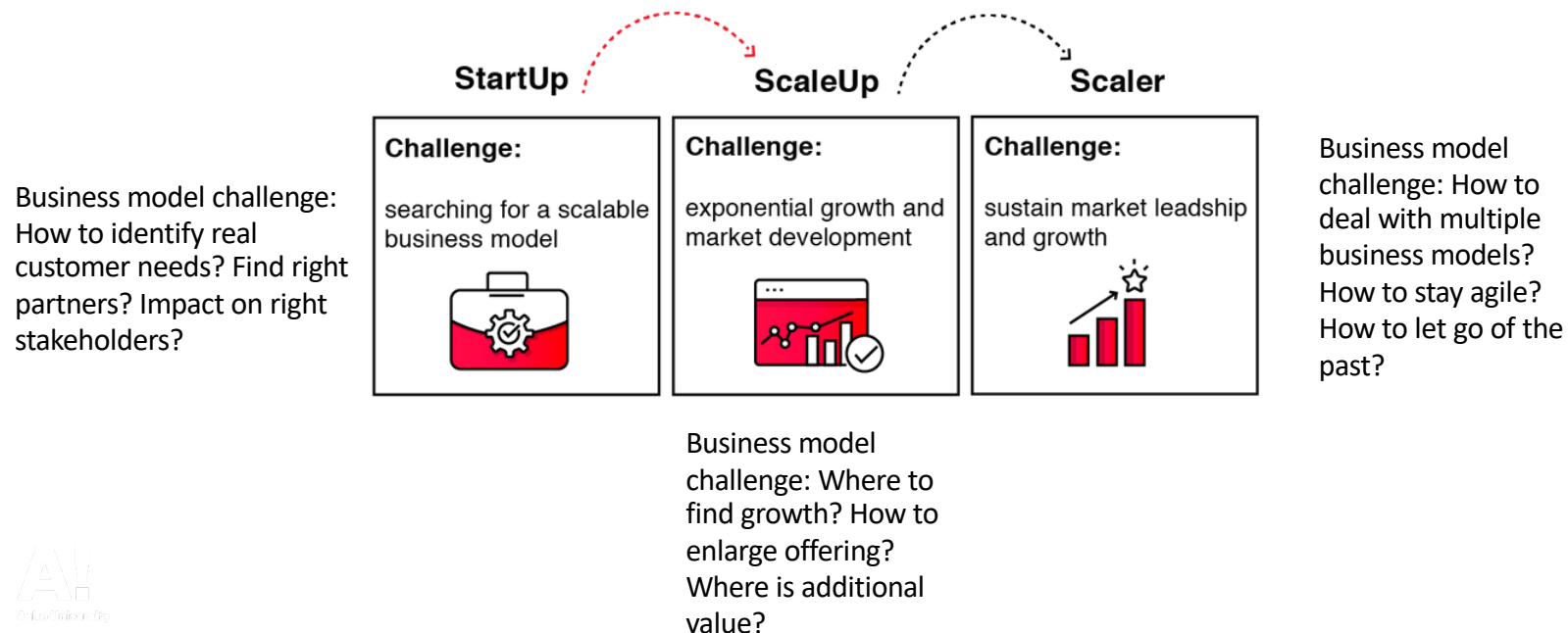
Value destruction and co-destruction:

- Plé, L., & Cáceres, R. C. (2010). Not always co-creation: introducing interactional co-destruction of value in service-dominant logic. *Journal of services Marketing*.
- Abid, M. F., Shamim, A., Khan, Z., & Khan, I. (2022). Value creation or value destruction: Conceptualizing the experiential nature of value-in-use. *Journal of Consumer Behaviour*.
- Mahajan, G. (2018). *Value Destruction*. In Value Dominant Logic, Productivity Press, UK.

BUSINESS MODEL DESIGN IN DIFFEREN CONTEXTS?

- What is the difference between business model design in established companies (incumbents) vs. start ups?
→ Remember also scale ups.

The road from Startup to Scale-up



FURTHER REFERENCES

Business modelling in start ups:

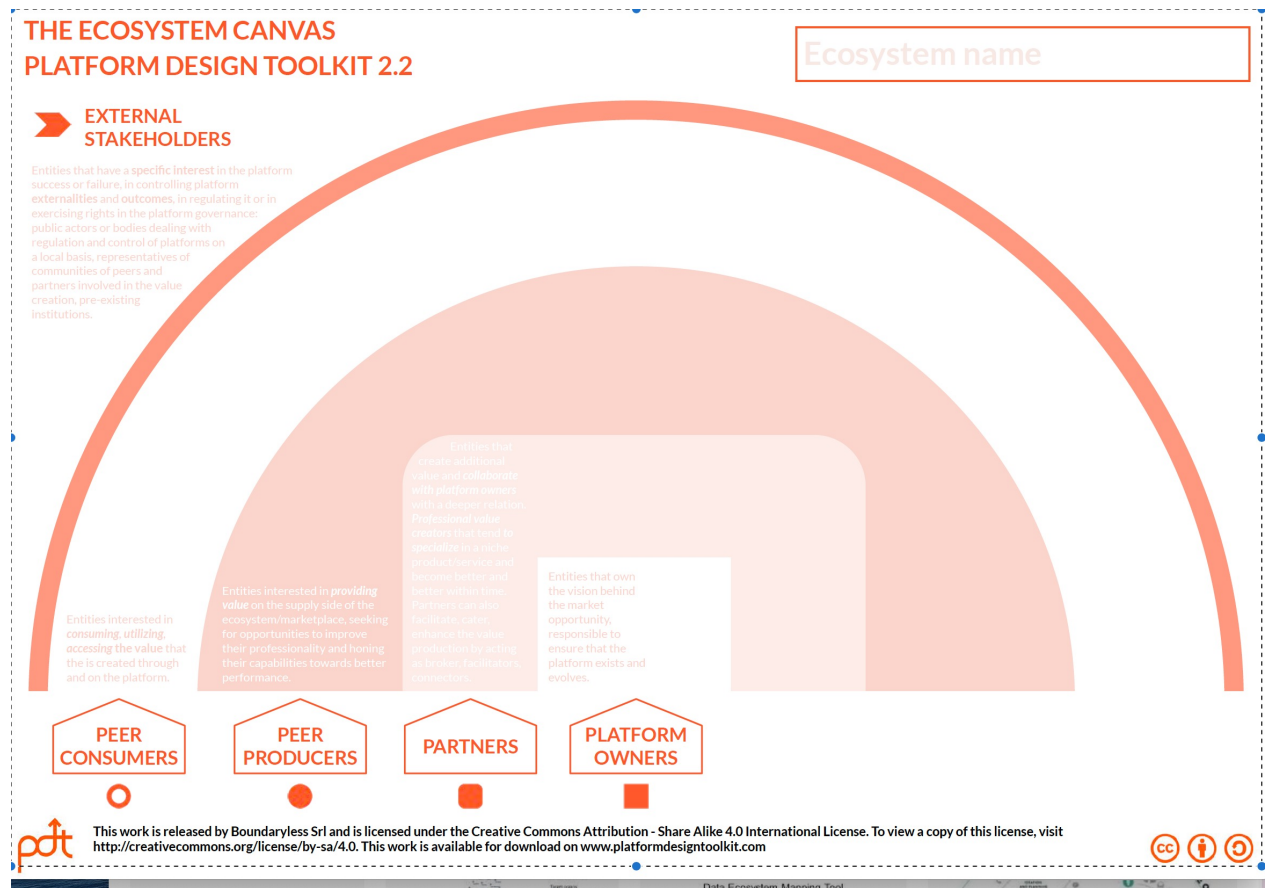
- Ghezzi, A., & Cavallo, A. (2020). Agile business model innovation in digital entrepreneurship: Lean startup approaches. *Journal of business research*, 110, 519-537.
- Bocken, N., & Snihur, Y. (2020). Lean Startup and the business model: Experimenting for novelty and impact. *Long Range Planning*, 53(4), 101953.

Multiple business models:

- Kim, S. K., & Min, S. (2015). Business model innovation performance: when does adding a new business model benefit an incumbent?. *Strategic Entrepreneurship Journal*, 9(1), 34-57.
- Balboni, B., Bortoluzzi, G., Pugliese, R., & Tracogna, A. (2019). Business model evolution, contextual ambidexterity and the growth performance of high-tech start-ups. *Journal of Business Research*, 99, 115-124.
- Markides, C. C. (2013). Business model innovation: what can the ambidexterity literature teach us?. *Academy of Management Perspectives*, 27(4), 313-323.
- Winterhalter, S., Zeschky, M. B., & Gassmann, O. (2016). Managing dual business models in emerging markets: an ambidexterity perspective. *R&D Management*, 46(3), 464-479.

WHAT ARE THE CONNECTIONS BETWEEN THE STAKEHOLDERS?

- i.e. systems approach to business model design
- This topic will be touched upon the ecosystem week (Ville)



FURTHER REFERENCES

Business ecosystems:

- Velu, C. (2017). A systems perspective on business model evolution: the case of an agricultural information service provider in India. *Long Range Planning*, 50(5), 603-620.
- Fuller, J., Jacobides, M. G., & Reeves, M. (2019). The myths and realities of business ecosystems. *MIT Sloan Management Review*, 60(3), 1-9.
- Lansiti, M., & Levien, R. (2004). The keystone advantage: what the new dynamics of business ecosystems mean for strategy, innovation, and sustainability. *Harvard Business Press*.
- Baldwin, C. Y. (2012). Organization design for business ecosystems. *Journal of Organization Design*, 1(1).

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LETS START WITH SMALL GROUP DISCUSSION

Discuss 10 minutes about the article. Prepare to share some key points.

**VALUE IS A MULTIDIMENSIONAL
CONCEPT.**

NOT ALL VALUE IS MONETARY.

**BUT IT IS HELPFUL TO UNDERSTAND
ALSO THE MONETARY ASPECT TO
VALUE.**

**LET'S CONTINUE OUR
TRANSDISCIPLINARY EXPLORATION...**



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VALUE PROPOSITION: A CENTRAL CONCEPT IN BUSINESS MODEL DESIGN

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?

Pictures: Freepic.com

VALUE VS. WORTH

Worth is a synonym of value.

As nouns the difference between worth and value is that **worth** is (countable) value while **value** is the quality (positive or negative) that renders something desirable or valuable.

Usevalue



Exchangevalue

THE PROBLEM - LIMITED VISIBILITY



WHY?

- Customers often have hidden needs (for many reasons)
- Customer needs might be somewhat unique (for many reasons)
- Very often we get only limited information (for many reasons)
- Customer and the user are not the same entity (for many reasons)
- Customers might not know our capabilities (for many reasons)
- We don't know customers capabilities (for previous reasons)
- ...

SUGGESTED SOLUTION - ECOSYSTEMS



ALSO PROBLEMATIC - WHY?

- Stakeholders often have hidden needs (for many reasons)
- Also stakeholders get only limited information (for many reasons)
- We have contradicting aims and hopes with stakeholders (for many reasons)
- ...

LETS DISCUSS ONCE AGAIN

- Can you think of any value communication examples? Terrible ones? Nice ones?

**RECOGNIZED AND DISCUSSED ALSO IN
THE ARTICLE**

DEVELOPMENT IN THE VALUE PROPOSITION DISCOURSE

- **Early conceptualisations:** positioning a firm, highlighting favourable points of difference, value delivery (e.g. Kambil et al., 1996; Lanning, 1998; Lanning and Michaels, 1988)
- **Developed discussion:** value propositions play a role in value co-creation between supplier and customer (e.g. Prahalad and Ramaswamy, 2004)
- **Modern view:** Moving from dyadic perspective, to a broader with multiple stakeholders (or actors) (Ballantyne and Varey, 2006; Frow and Payne, 2011)

MODERN VIEW MEANS THAT FIRMS CONSIDER MULTIPLE ACTORS

MULTIPLE ACTORS

Table 1. Illustrative value offered, value sought and value shared shaping an ecosystem.

Actor	Value offered	Value sought
Employee	<ul style="list-style-type: none"> Pay (premium/fair) Equity in business Job security Training and career path Work–life balance Pride in job/community status Health and safety 	<ul style="list-style-type: none"> Staff loyalty Championing company Ideas for improvements Involvement and commitment Productivity
Customer	<ul style="list-style-type: none"> Product/service performance Choice Convenience Responsiveness Security Feel-good 	<ul style="list-style-type: none"> Retaining existing customers Broadening/deepening relationships Recommendations to prospects Expansion of customer base Improving customer profitability Ideas for improving service
Supplier	<ul style="list-style-type: none"> Volume guarantees Price (premium/fair) Payment terms/contract length Status (platinum, etc.) Information sharing Recommendation 	<ul style="list-style-type: none"> Supply security Supply prioritisation Cost savings – supply chain integration Cost savings – price paid Information sharing
Partner	<ul style="list-style-type: none"> Performance Status (platinum, etc.) Information/IP sharing Recommendations/introductions Shared marketing Training 	<ul style="list-style-type: none"> Partner performance Status/accreditation enjoyed Information received Recommendation/introductions Shared marketing
Shareholder	<ul style="list-style-type: none"> Risk profile Returns profile (capital growth, dividend, etc.) Profits growth Economic value added 	<ul style="list-style-type: none"> Shareholder loyalty (as appropriate for private, private equity and public ownership) Support for further fundraising Premium valuation Referrals/introductions
Society	<ul style="list-style-type: none"> Ethical behaviour/example Investments in sustainability Carbon usage reduction Compliance (match/exceed) Charitable support Staff development 	<ul style="list-style-type: none"> Enhanced reputation Lower risk of regulatory investigation/savings on mandatory investigations Support from government Regulatory benefits

Source: Adapted from Springman (2012).

Frow et al., 2014



ANZ Innovation Day

**BUT MODERN VIEW ALSO MEANS THAT
FIRMS CONSIDER MANY "ZOOM LEVELS"**

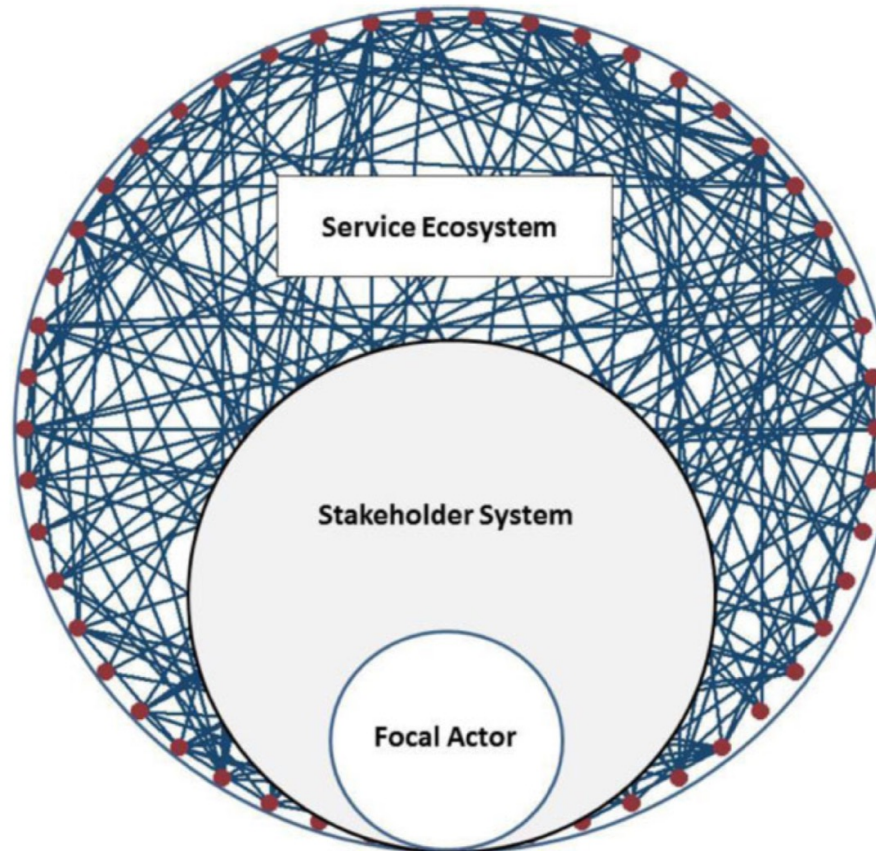
SERVICE ECOSYSTEM PERSPECTIVE TO VALUE PROPOSITIONS

- **Macro view:**
market
perspective
- **Meso-level:**
network of key
actors connected
to the focal firm
- **Micro-level:**
buyers and
sellers



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Macro level VPs within service ecosystem:
e.g., Tesco's 'Do right by doing good' for society

Meso level VPs to key actors :
e.g., : Tesco's 'Better, simpler, cheaper – the way we work' for key stakeholders

Micro level VPs to customers:
e.g., Tesco's 'Every little helps' for customers

HOW TO DESIGN WITH MANY ZOOM LEVELS?

USING METAPHORS IN ANALYZING AND DESIGNING VALUE PROPOSITIONS

Micro level

- Value proposition as a “promise” or “proposal”

Meso level

- Value proposition as an “Invitation to play” or “bridge connecting our worlds”

Macro level

- Value proposition as a “wild card” or “journey to a destination”

**YOU NEED TO BE ABLE TO OPERATE IN
ALL LEVELS!**

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NEXT

- Article Summary: “Value propositions: A service ecosystems perspective”
- Keynote: Exploring the infinite dimensions of value
- **Preparing for Thursday workshop**

PREPARING FOR THURSDAY WORKSHOP

- On Thursday, we will explore different levels of value propositions: from supplier-customer ones to ecosystem-level ones
- You work again in groups, but with different people than last week
- Your tasks now: 1) Select one case, 2) Decide how you explore the case before Thursday
- Remember to read the Thursday article and watch the instruction video!

MORE INFORMATION

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