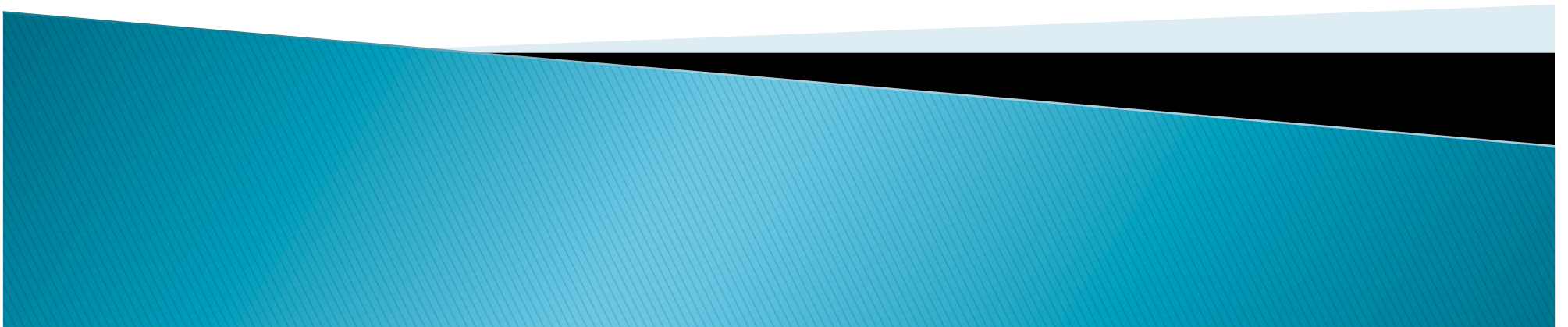
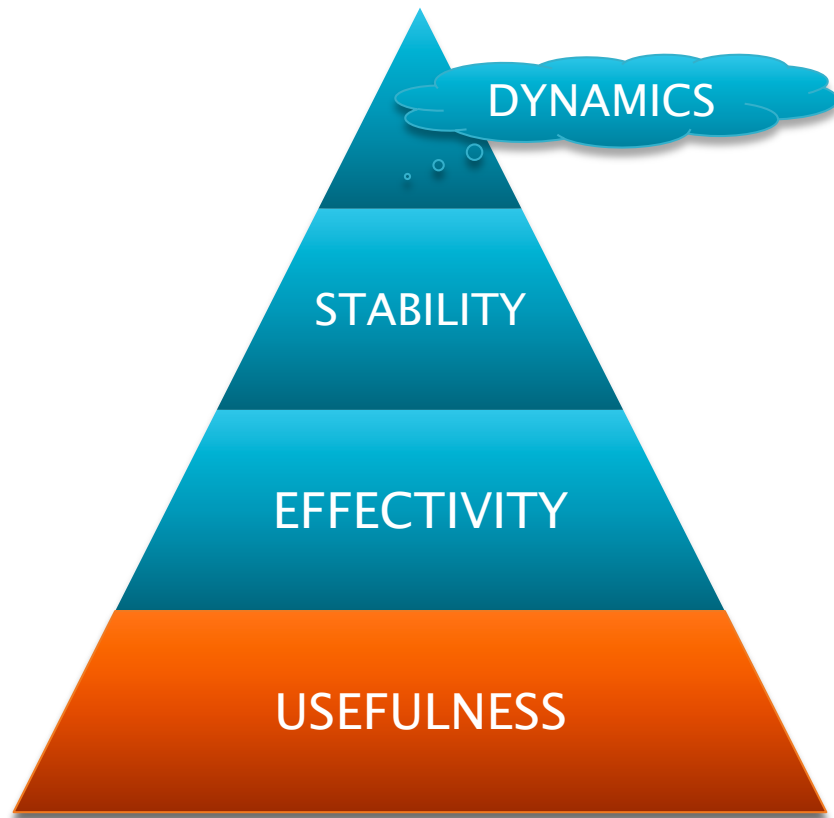


Management by Competencies

World of Requirements – part II



Previously on MbC

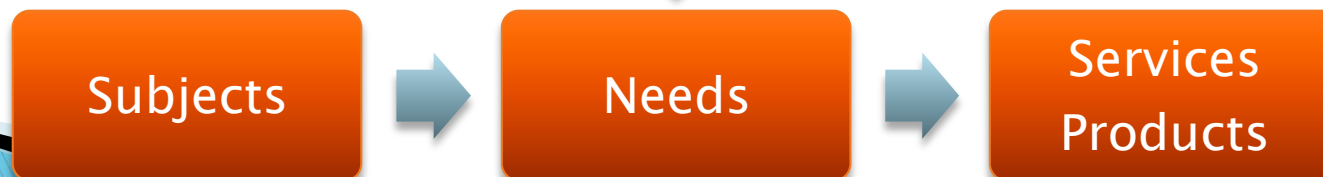
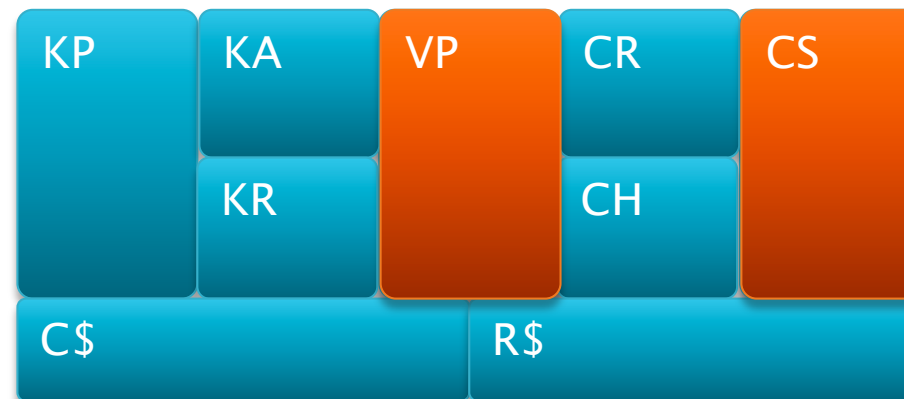


theory of vitality



Previously on MbC (cont'd)

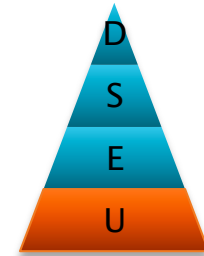
A business model describes the rationale of how an organization creates, delivers and captures value.



Agenda

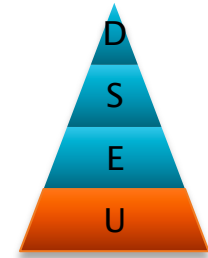
- ▶ **Building up Usefulness (cont'd)**
 - BMC building blocks: Channels, Customer Relationships, Revenue Streams
 - Summary
- ▶ **Building up Effectiveness**
 - Processes
 - Resources
 - Structures
 - BMC building blocks: Key Activities, Key Resources, Key Partners, Cost Structure

CH, CR, R\$ Building Blocks Context





Channels (CH) Building Block



Meaning

- Describes how a company communicates with and reaches its Customer Segments to deliver a subject of Value Proposition.
- Comprises communication, distribution and sales channels.
- Plays important role in customer experience.

Questions

- 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?

Subjects

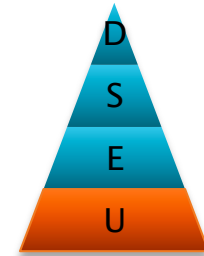
Needs

Services
Products





Channels Functions



Raising awareness among customers about a company's products and services.



Helping customers evaluate a company's Value Proposition.



Allowing customers to purchase specific products and services.



Delivering a subject of Value Proposition to customers.



Providing post-purchase customer support.

Subjects

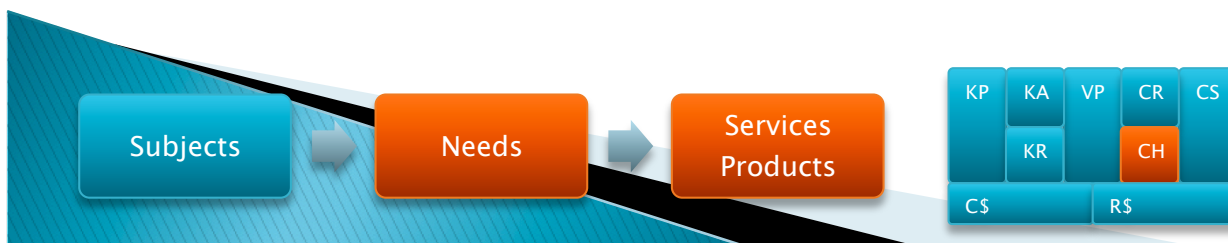
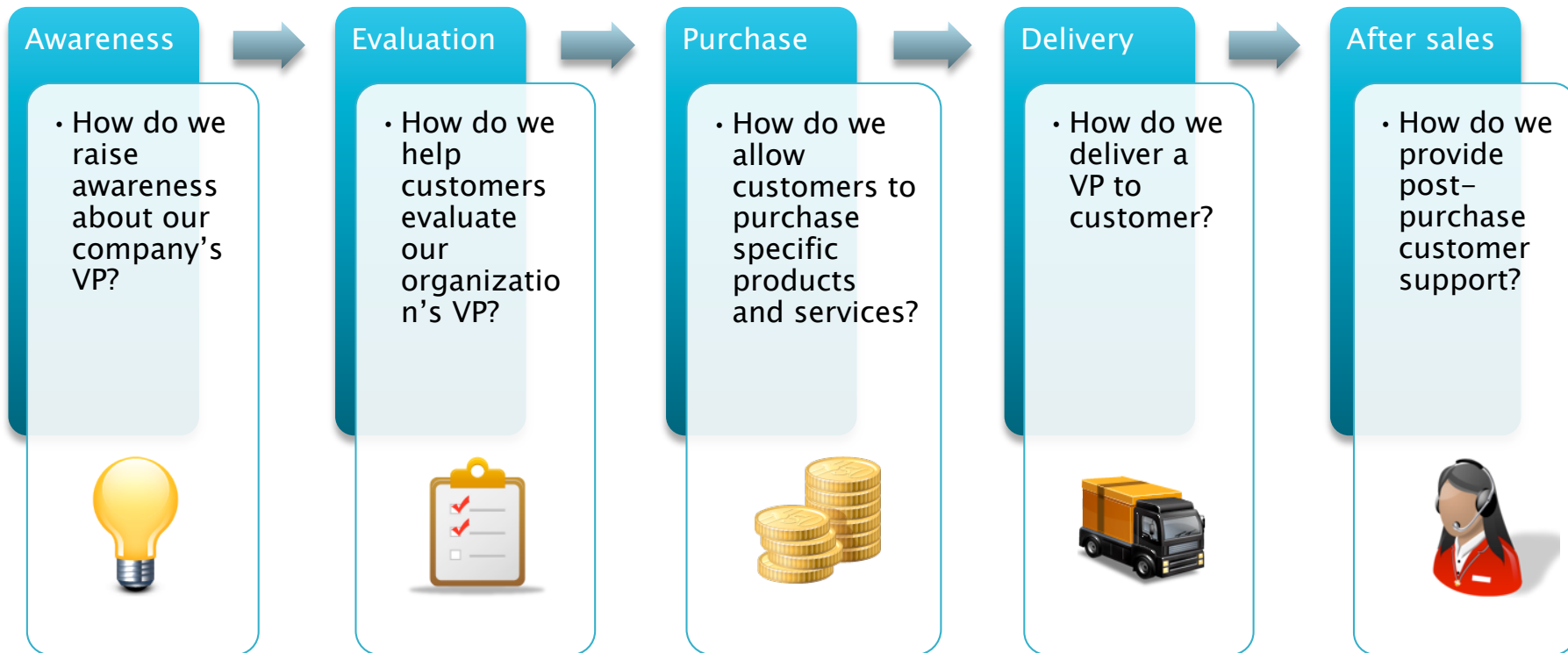
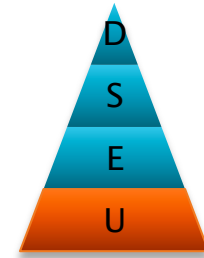
Needs

Services
Products



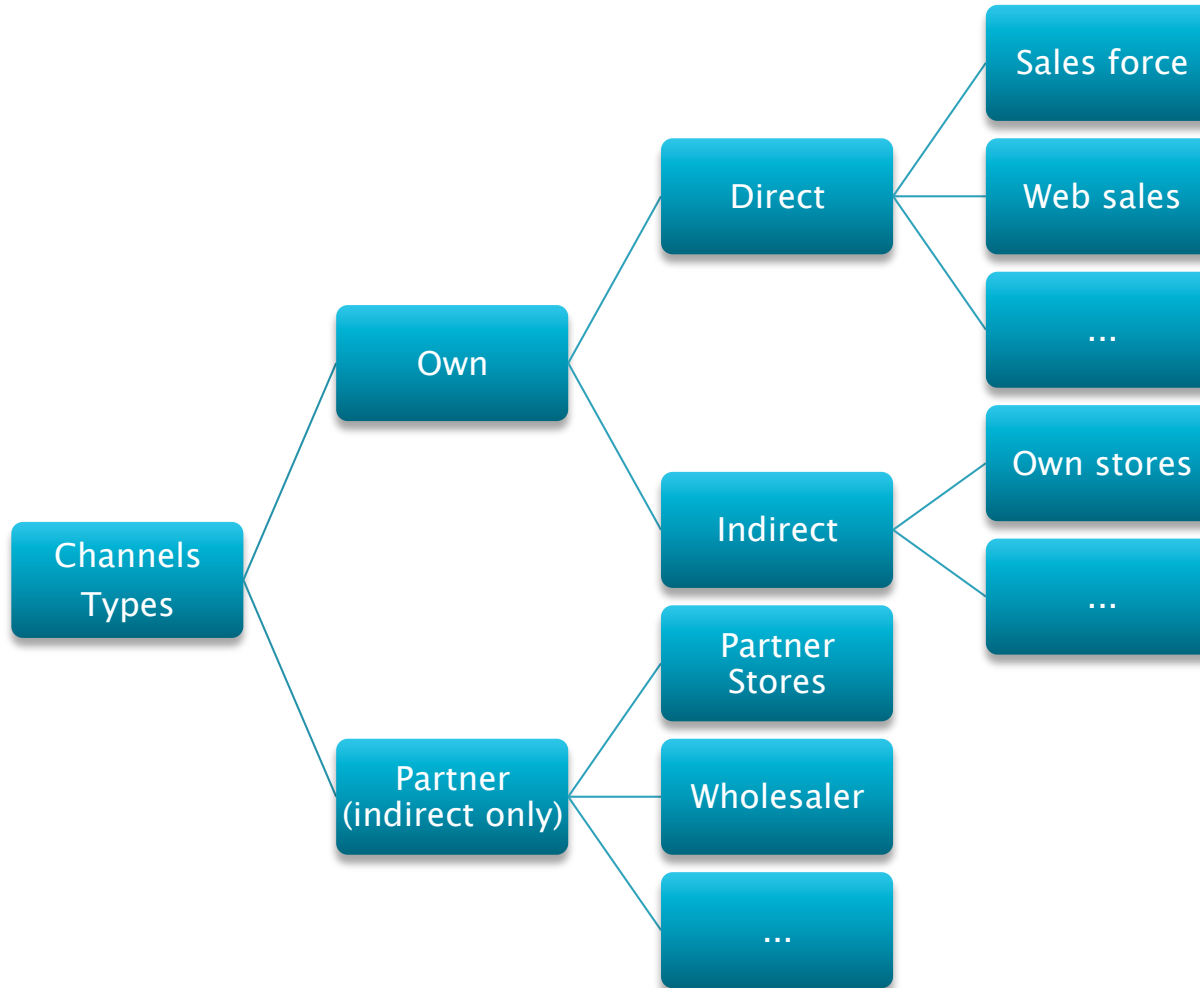
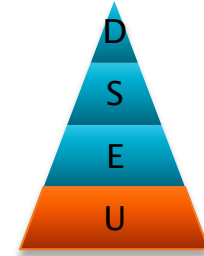


Channel Phases



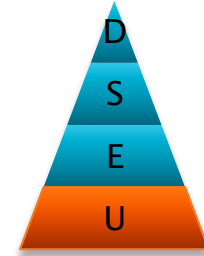


Channel Types





Customer Relationships (CR) Building Block



Meaning

- Describes the types of relationships a company establishes with specific Customer Segments

Motivations

- Customer Acquisition
- Customer Retention
- Boosting sales (upselling)

Questions

- What type of relationship does each of our CS expect us to establish and maintain with them? Which ones have we established?
- How costly are they?

Subjects

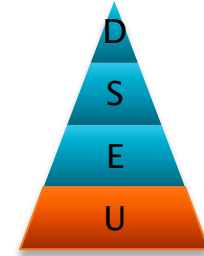
Needs

Services
Products





Customer Relationships Categories



Personal Assistance

- based on human interaction
- personal encounter, phone call, e-mails

Dedicated Personal Assistance

- deepest and the most intimate kind of relationship
- role of key account managers

Self-service

- no direct relationship
- customers is provided with all necessary means to help themselves

Subjects

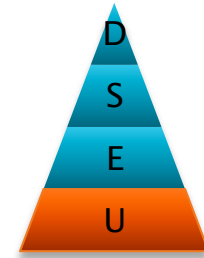
Needs

Services
Products





Customer Relationships Categories (cont'd)



Automated Services

- mixture of sophisticated self-service with automated processes

Communities

- to become more involved with customers/prospects
- to facilitate connections between community members

Co-creation

- customers are actively involved in value creation
- essential for service delivery

Subjects

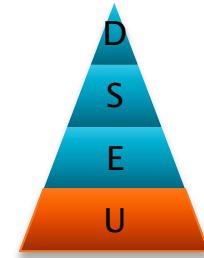
Needs

Services
Products





Revenue Streams (R\$) Building Block



Meaning

- Represents the cash a company generates from each CS
- Note: Cost must be subtracted from Revenues to create Earnings

Questions

- 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 R\$ contribute to overall revenues?

Subjects

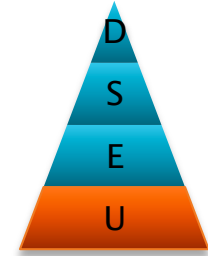
Needs

Services
Products





Revenue Streams Types



Transaction

- Revenues result from one-time customer payments

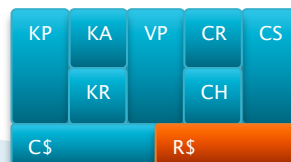
Recurring

- Revenues result from ongoing payments to either
 - deliver a VP to customers or
 - provide post-purchase customer support

Subjects

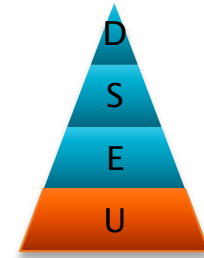
Needs

Services
Products





Ways of generating R\$



Asset sale

- selling ownership rights to a physical product

Usage fee

- using of a particular service
- the more a service is used the more customers pay

Subscription fee

- selling continuous access to a service, typically limited in time (monthly, yearly subscriptions)

Lending/ Renting/Leasing

- granting the exclusive right to use a particular asset for a fixed period in return for a fee

Subjects

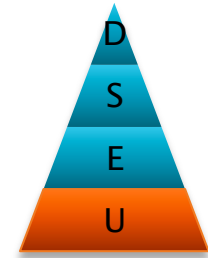
Needs

Services
Products





Ways of generating R\$ (cont'd)



Licensing

- giving customers permission to use protected intellectual property in exchange for licensing fees

Brokerage fee

- intermediating services performed on behalf of two or more parties

Advertising

- resulting from fees for advertising a particular product, service or brand

Subjects

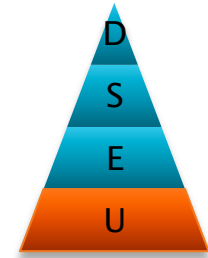
Needs

Services
Products





Pricing Mechanisms



Fixed menu pricing

- List price
- Product feature dependent
- Customer segment dependent
- Volume dependent

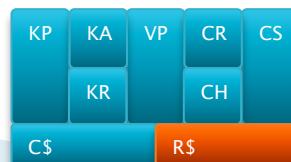
Dynamic Pricing

- Negotiation (bargaining)
- Yield management
- Real-time-market
- Auctions

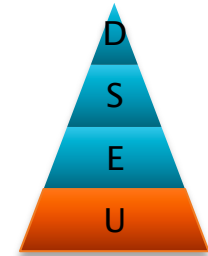
Subjects

Needs

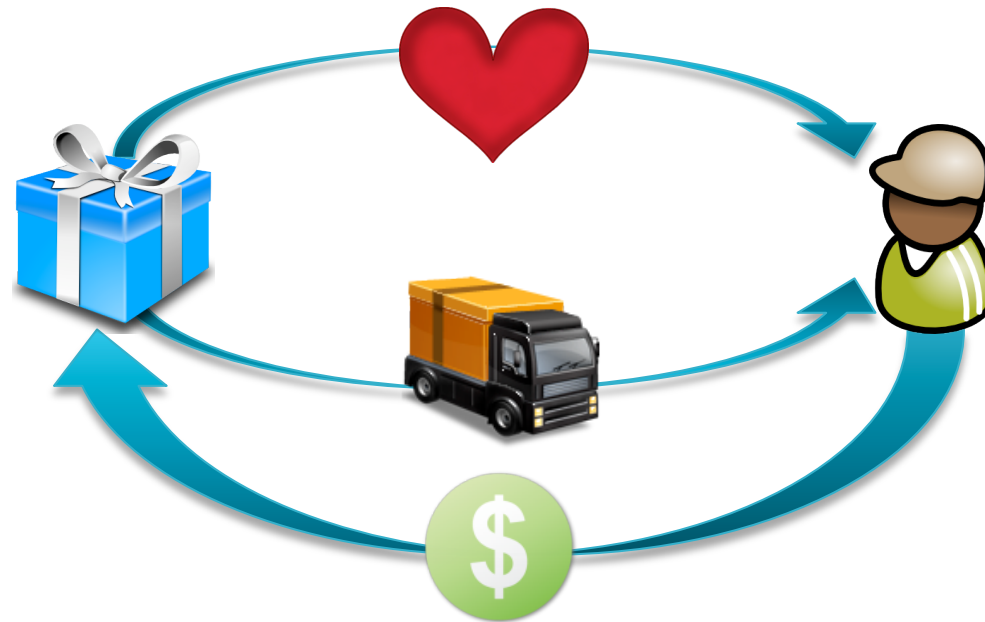
Services
Products



Usefulness – summary



Having clarified Usefulness is essential for every business!

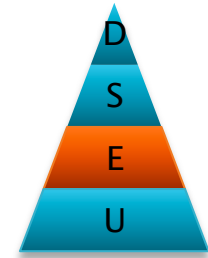


Subjects

Needs

Services
Products

Effectivity – success criteria



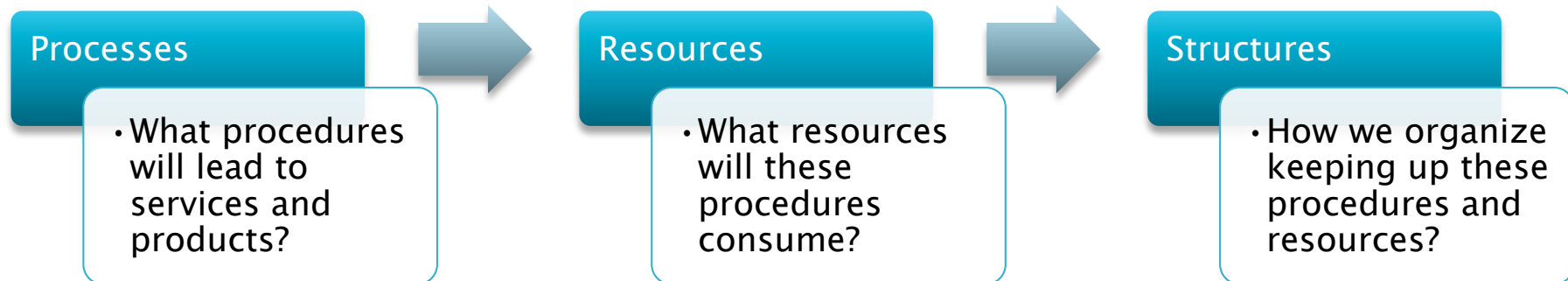
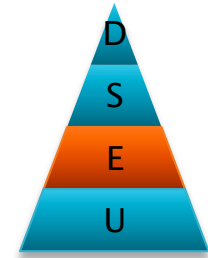
The subject of VP has to be provided

- in appropriate amount,
- in appropriate quality, and
- with minimum costs!

Sum of output values has to be greater than sum of input values!

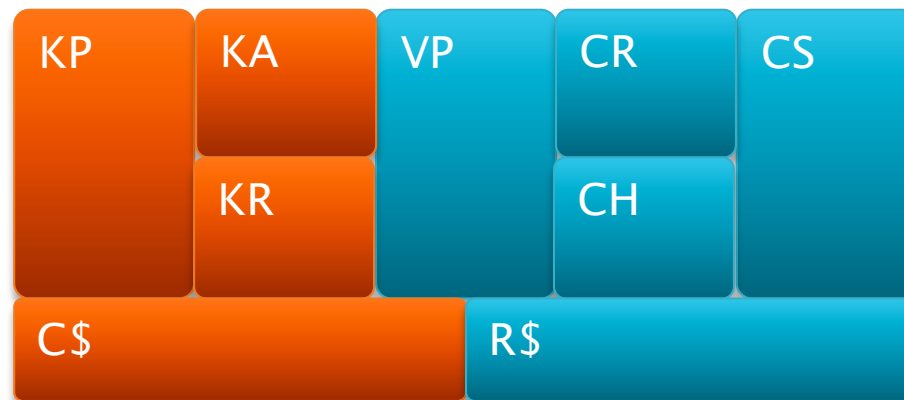
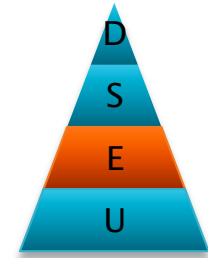
- Value of output depends on its *usefulness!*

Building of Effectivity



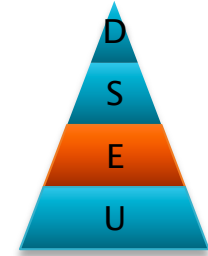
(C) J. Plamínek

Effectivity and BMC





Key Activities (KA) Building Block



Meaning

- Describes the most important things a company must do to make its business model work.
- i.e. to create and offer VP, reach markets, maintain CR, and establish R\$.

Questions

- What Key Activities do our VP require?
- Our Distribution Channels?
- Customer Relationships?
- And Revenue Streams?

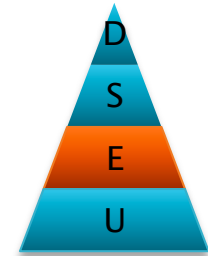
Processes

Resources

Structures



Definition of Process



Process is sequence of activities to be performed

- Activity is an basic element of process
- In general, processes are contemplated to be repeatable

Process transforms inputs to outputs

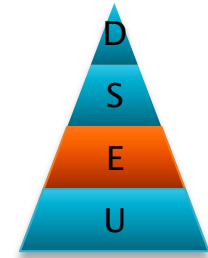
To develop effectivity, it is crucial to have processes well defined and described!

Processes

Resources

Structures

Benefits of well defined processes



Process measurement

Process effectivity evaluation

Accurate definition of process resources

Accurate responsibility assignments

Process support and integration

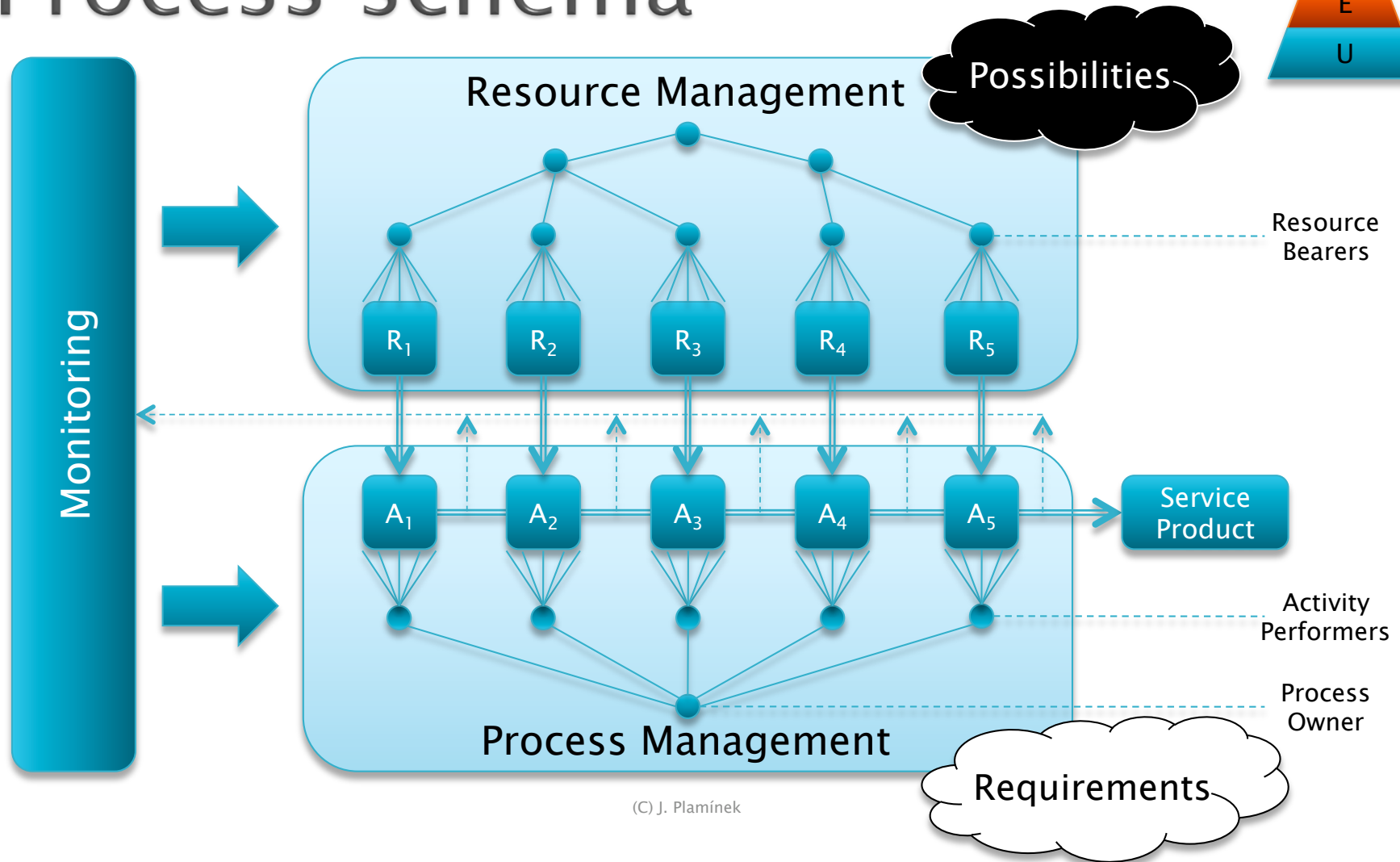
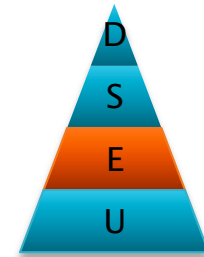
Process management and adjustment

Processes

Resources

Structures

Process schema

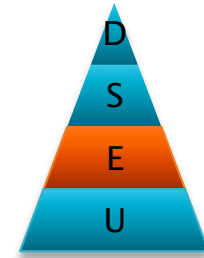


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Key Resources (KA) Building Block



Meaning

- Describes the most important assets required to make a business model work.

Questions

- What Key Resources do our VP require?
- Our Distribution Channels?
- Customer Relationships?
- And Revenue Streams?

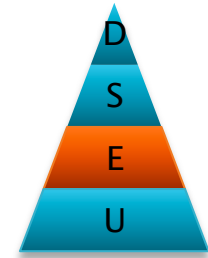
Processes

Resources

Structures



Types of resources



Hard resources

- Physical
- Intellectual
- Financial

Easy to specify and measure!

Soft/ Human resources

- Human resources: abilities, qualities, attitudes
- People are bearers of human resources

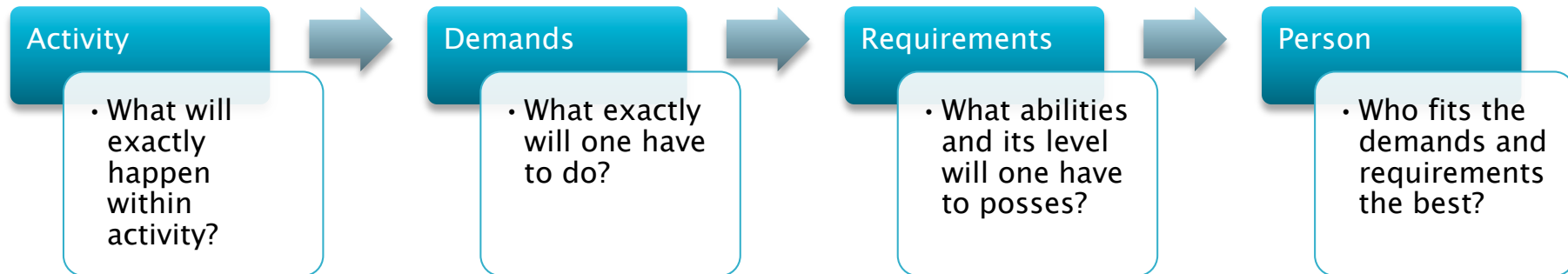
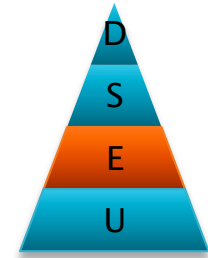
Hard to specify and measure!

Processes

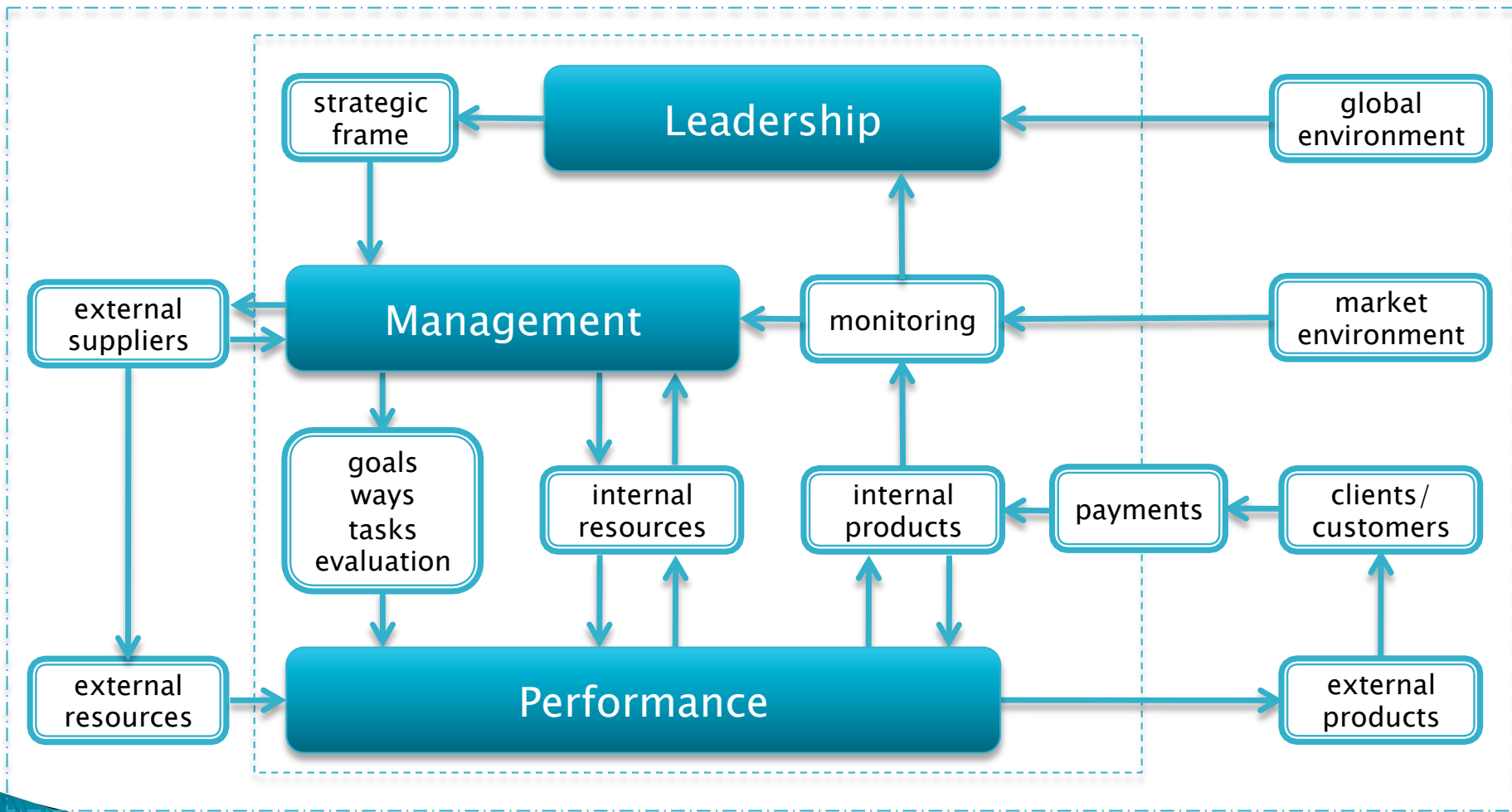
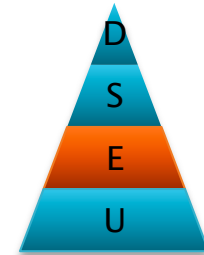
Resources

Structures

Resources derivation

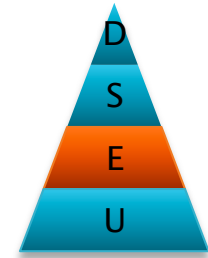


Functional company structure



--- company border
 border of company influence

Three key functions



Leadership

- performed by Leaders
- long-term focus on
 - definition of system of corporate ideas

Management

- performed by Managers
- short- and medium-term focus on
 - organization of realization of corporate thoughts by planning, controlling

Performance

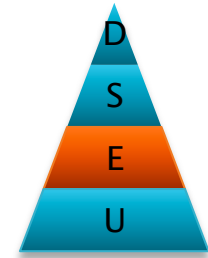
- performed by Workers
- realization of corporate ideas by service provision or products delivery
- do what is to be done now

Processes

Resources

Structures

Process domains



Ortoprocesses

- deliver services/products for external customers
- bound to business cases
 - “start by order and end by payment”

Paraprocesses

- deliver internal products critical for all three key functions (performance, management, leadership)
- parallel processes supporting ortoprocesses

Metaprocesses

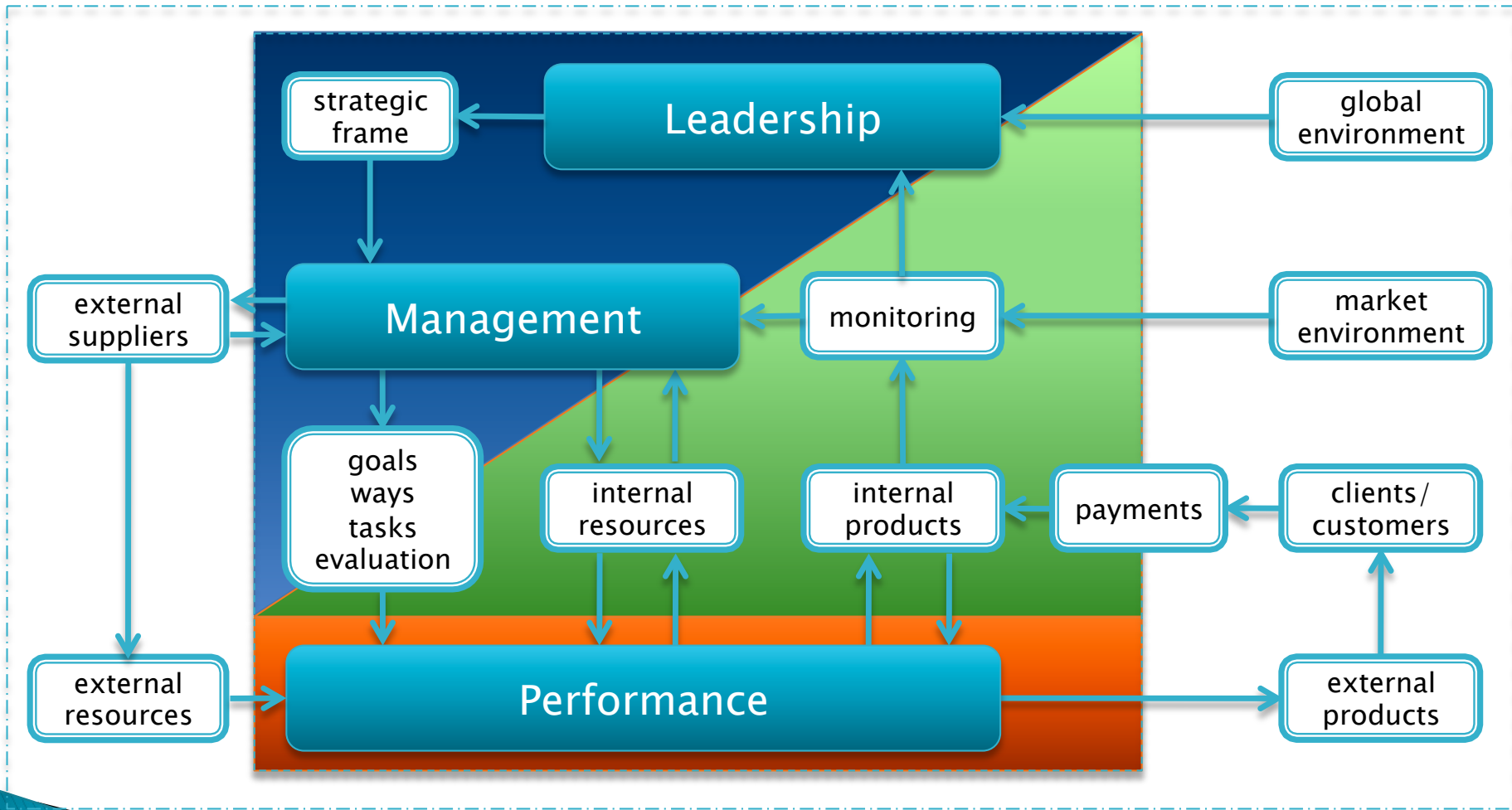
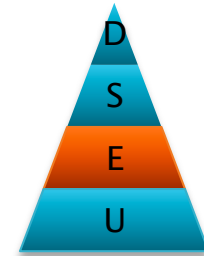
- deliver changes to the company system

Processes

Resources

Structures

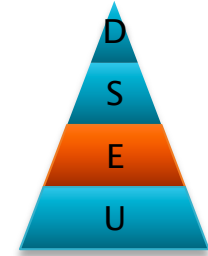
Functional company structure



- - - - - company border
 - - - - - border of company influence



Key Partnerships (KP) Building Block



Meaning

- Describes the network of suppliers and partners that make the business model work

Questions

- Who are our Key Partners?
- Who are our key suppliers?
- Which Key Resources are we acquiring from partners?
- Which Key Activities do partners perform?

Processes

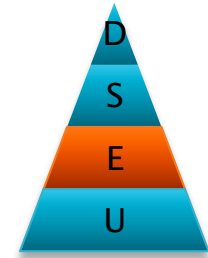
Resources

Structures





Types of Partnerships



Strategic alliances between non-competitors

- optimization and economies of scale
- acquisitions of particular resources and activities
- outsourcing and sharing infrastructure

Coopetition – strategic partnerships between competitors

Joint ventures to develop new business

Buyer–supplier relationships to assure reliable supplies

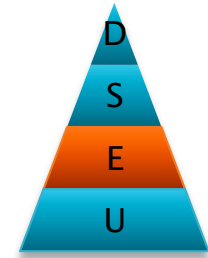
Sales relationships

- for brokerage fees





Cost Structure (C\$) Building Block



Meaning

- Describes all cost incurred to operate a business model
- creating and delivering Value, maintaining CR, and generating R\$ all incur costs
- can be calculated relatively easily after defining KA, KR and KP

Questions

- What are the most important costs inherent in our business model?
- Which Key Resources are most expensive?
- Which Key Activities are most expensive?

Processes

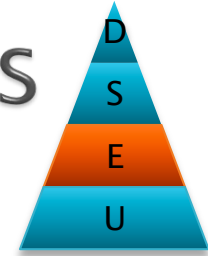
Resources

Structures





Two main types of business model C\$



Cost-driven BMs

- minimizing costs wherever possible
- using low price VP, maximum automation, and extensive outsourcing
- the main value for customer is end low price

Value-driven BMs

- focus on value creation
- typically premium VPs and high degree of personalized service is characteristic

Processes

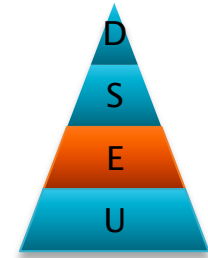
Resources

Structures





Cost Structure Characteristics



Fixed costs

- costs that remain the same despite the volume of goods or services produced
- examples: salaries, physical manufacturing facilities

Variable costs

- costs that vary proportionally with the volume of goods and service produced

Economies of Scale

- cost advantages that a business enjoys as its outputs expands

Economies of Scope

- cost advantages that a business enjoys due to larger scope of operations

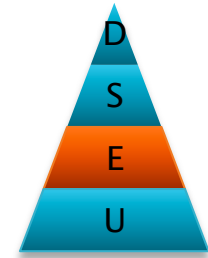
Processes

Resources

Structures



Effectivity summary



Revenues (usefulness) are not everything!

You need to consider costs of your KAs, KRAs, and KPs!

The most important are earnings which illustrates effectivity at best!

$$\text{revenues} - \text{cost} > 0 \text{ (earnings/profit)}$$

Summary

▶ Usefulness

- Foundation of the business
- Subjects (CS) → Needs → Service/Product (VP)
- Importance of CH and CR
- Quantification through R\$

▶ Effectivity

- Optimization of the business
 - amount, quality, minimum costs
- Processes (KA) → Resources (KR) → Structures
- Profit/Loss = Revenues - Cost

Comming soon

- ▶ Examples from Mycroft Mind, a.s.
- ▶ Stability and Dynamics