

Zero-sum games and competition

- Porter (1998) argues that the supplanting of strategy has resulted in zero-sum competition, static or declining prices, and pressures on costs
- Elements of strategy...
 - o Defining a company's position (tailoring a set of activities)
 - o Making trade-offs (sustaining the strategic position)
 - o Forging fit among activities (driving competitive advantage & strategic position)

The entrepreneurial process (Muzyka, 1995, p 353)



However, the reality is...

- Opportunities have a natural 'life cycle'
- Businesses are continually 'fighting' to innovate and re-invent themselves
- The ogre of 'creative destruction' hangs over all stakeholders (creation, sustenance, destruction)

Definitions

- Entrepreneurs are those persons (business owners) who seek to generate value through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets.
- Entrepreneurial activity is enterprising human action in pursuit of the generation of value through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets.
- Entrepreneurship is the phenomenon associated with entrepreneurial activity.
- (OECD Eurostat Entrepreneurship Indicators Programme, 2009)

Why we like the OECD Definitions

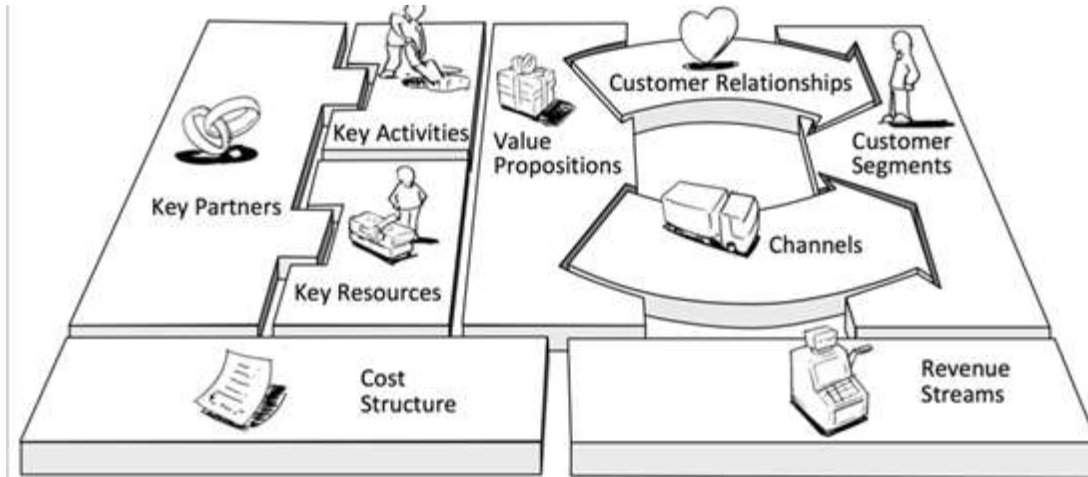
- Differentiate entrepreneurial activity from 'ordinary' business activity (note the emphasis on newness: new products, new processes or new markets)
- Indicate corporations and other businesses can be entrepreneurial even though only the people in control and owners of organisations can be considered entrepreneurs
- Emphasize entrepreneurial action is manifested rather than planned or intended
- Do not equate activity with the formation of any particular corporate vehicle; and
- Incorporate economic, social and cultural value creation (even though they are defined in the context of business)

Business Model Canvas

What is the Business Model Canvas (BMC) (Osterwalder & Pigneur, 2010)

- "... a concept that allows you to describe and think through the business model of your organisation, your competitors, or any other enterprise." (p 15)
- A shared language, without which "it is difficult to systematically challenge assumptions about one's business model and innovate successfully (p 15)

What is the Business Model Canvas (BMC)?



Customer segments

- “The Customer Segments Building Block defines the different groups of people or organisations an enterprise aims to reach and serve
- Customer groups represent separate segments if:
 - o Their needs require and justify a distinct offer
 - o They are reached through different Distribution Channels
 - o They require different types of relationships
 - o They have substantially different profit abilities
 - o They are willing to pay for different aspects of the offer” (p. 20)

Value Propositions

- “The Value Propositions Building Block describes the bundle of products and services that create value for a specific Customer Segment
- Elements from the non-exhaustive list can contribute to value creation
 - o Newness
 - o Performance
 - o Customisation
 - o Getting the job done
 - o Design
 - o Brand/status
 - o Price
 - o Cost reduction
 - o Risk reduction
 - o Accessibility
 - o Convenience/usability” (p. 22)

Channels

- “The Channels Building Block describes how a company communicates with and reaches its Customer Segments to deliver a Value Proposition
- Channels serve several functions, including:
 - o Raising awareness among customers about a company’s products and services
 - o Helping customers evaluate a company’s Value Proposition
 - o Delivering a Value Proposition to customers
 - o Providing post-purchase customer support” (p. 26)

Customer Relationships

- “The Customer Relationships Building Block describes the types of relationships a company establishes with specific Customer Segments
- Customer relationships may be driven by the following motivations:
 - o Customer acquisition
 - o Customer retention
 - o Boosting sales (upselling)” (p. 28)

Revenue Streams

- “The Revenue Streams Building Block represents the cash a company generates from each Customer Segment (costs must be subtracted from revenues to create earnings)
- A business model can involve two different types of Revenue Streams:
 1. Transaction revenues resulting from one-time customer payments
 2. Recurring revenues resulting from ongoing payments to either deliver a Value Proposition to customers or provide post-purchase customer support” (p. 30)

Key Resources

- “The Key Resources Building Block describes the most important assets required to make a business model work
- Key resources can be categorised as
 - o Physical
 - o Intellectual
 - o Human
 - o Financial” (p. 34)

Key Activities

- “The Key Activities Building Block describes the most important things a company must do to make its business model work
- Key activities can be categorised as
 - o Production
 - o Problem solving
 - o Platform/Network” (p 36)

Key Partnerships

- “The Key Partnerships Building Block describes the network of suppliers and partners that make the business model work
- Four different types of partnerships
 - o Strategic alliances between non-competitors
 - o Coopetition: strategic partnerships between competitors
 - o Joint ventures to develop new businesses
 - o Buyer-supplier relationships to assure reliable supplies” (p. 39)

Cost Structure

- “The Cost Structure describes all costs incurred to operate a business model
- Two broad classes of business model cost structures
 - o Cost-driven
 - o Value-driven” (p. 40)

Critiques of Business Model Canvas

- It is quite an abstract framework and only focuses on some stakeholders, but notably not others
- It is very much designed around SMEs and start-ups
 - o It likely is ill suited to large complex organisations
- As with many frameworks, it lacks the fourth dimension
- However, it offers a great deal of utility with those in the process of creating a business.