

Autumn 2018

26100 Integrating Business Perspectives

University of Technology Sydney

Topics:

- Defining the multi-dimensions of business
- Business communication and teamwork
- The role and place of business in the economy
- Legal and regulatory dimensions of business
- Stakeholders, ethics and social responsibility: the multiple perspectives
- Products, services and capital: responses to market opportunities
- Technology, innovation and entrepreneurship
- Valuing and sustaining a business
- Integrating business processes for strategic advantage

WEEK ONE

Lecture: Subject Introduction (Stephen Schweinsberg)

- **Learning Outcomes**

- Understand the learning framework for Integrating Business Perspectives and its role in the BBUS core
- Be aware of the requirements for your major project and the way that all of your assessments contribute to its completion.

Empathy:

- Empathy is a key factor in running a successful business, as it is what allows for the business to understand and preempt the needs of the consumer before the consumer can even realise them. Also allows for businesses to stay competitive and innovative.

Values:

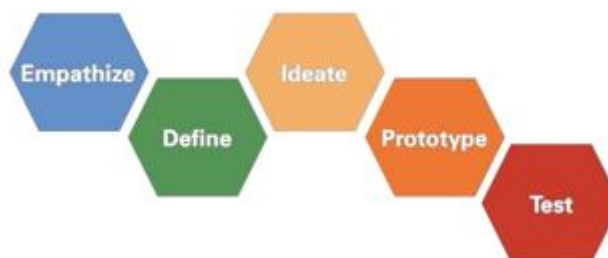
- Having a good set of values integrated into the business is in some ways more important than focus on the profitability of the business.
- An example of this is seen in Mectizan's administration of endless and worldwide medication to prevent river blindness. The founder of the business, George Merck, states "We try never to forget that medicine is for the people. It is not for the profits. The profits follow and, if we have remembered that, they have never failed to appear. The better we have remembered it, the larger they have been".
- The reason a good set of values is key to a successful business is because ethical values are a priority to key stakeholders in the business.

The consumer:

- Businesses also need to focus on the needs of the consumer, and be innovative in order to understand what the consumers 'job to be done' is.
 - The value proposition (textbook pp. 22-25)

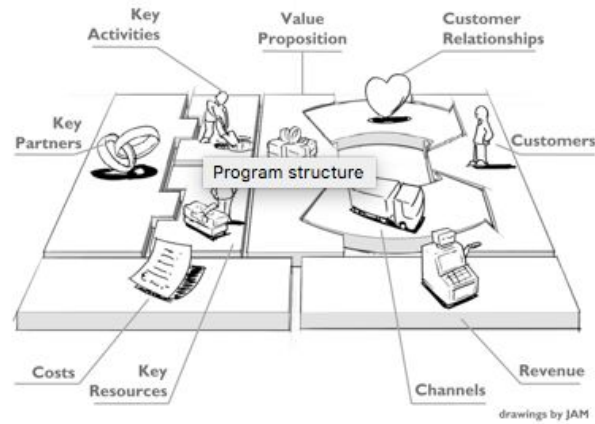
Design thinking:

- In a changing market, businesses need to be able to experiment and adapt to the needs of the consumer, and businesses in all industries attempt to constantly engage in some kind of reinvention.
- An example of this is McDonald's in their opening of McCafe in 1993, and later their self-service touch ordering screens.



The business model:

Businesses need to integrate desirability, viability and feasibility into their structure
The structure is not as simplistic as it may seem, and incorporates a wide variety of key inputs.



The business model needs to account for:

- Key trends
 - Regulatory trends
 - Technology trends
 - Societal and cultural trends
 - Socioeconomic trends
- Industry forces
 - Suppliers and other value chain actors
 - Stakeholders
 - Competitors
 - New entrants (insurgents)
 - Substitute products and services
- Macro-economic forces
 - Global market conditions
 - Capital markets
 - Commodities and other resources
 - Economic infrastructure
- Market forces
 - Market segments
 - Needs and demands
 - Market issues
 - Switching costs
 - Revenue attractiveness

WEEK TWO

Lecture: Business Models and Competitive Advantage (Stephen Schweinsberg)

- **Learning Outcomes**

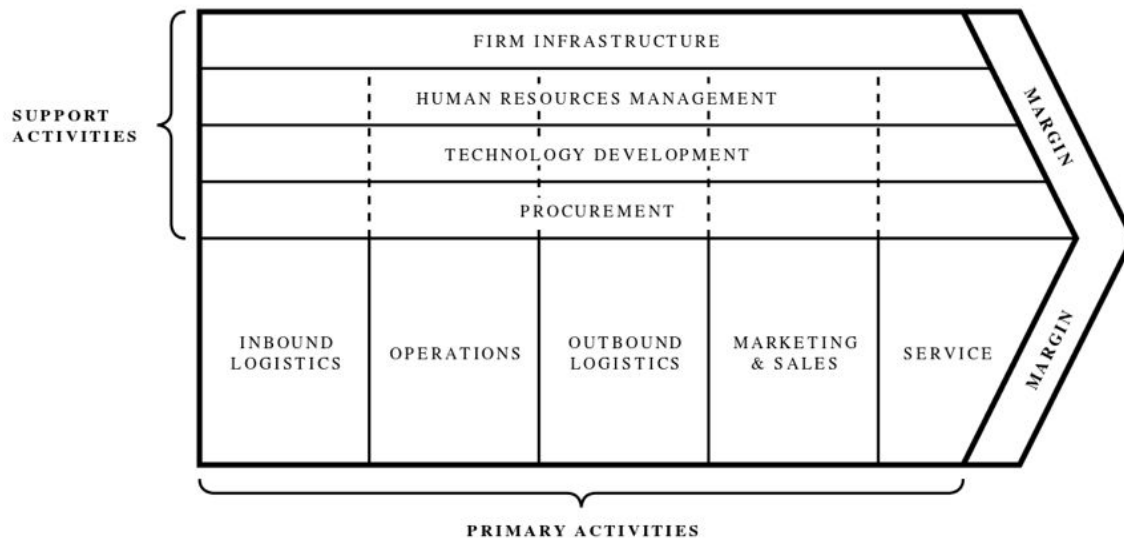
- Recognise the component parts of the business model canvas and their relationship in different settings.
- To understand what competitive advantage is and how it can be understood in relation to a business's internal processes and external environment

Tutorial: Understanding Our Problem Space

- *Note: In this tutorial we will be forming students into project teams as well as brainstorming the problem space.*
- **Required Readings:**
 - Business Model Generation (Textbook) pp. 1-47
 - Johnson, M. W., Christensen, C. M., & Kagermann, H. (2008). Reinventing your business model. Harvard Business Review, 86(12), 57-68.

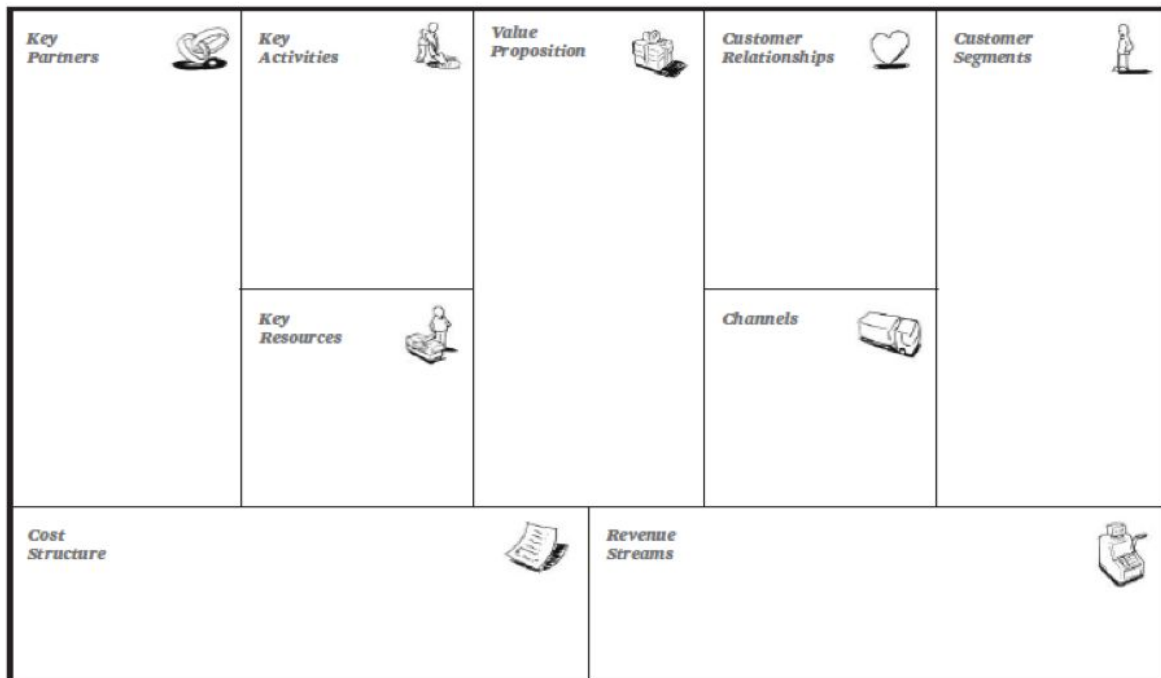
Competitive advantage:

- Is about having something distinct about what you're offering
- You don't achieve competitive advantage by simply having an end product that is better than its competitors - they need to have a good value chain
- A diagram of the value chain is seen below:



The role of a business model:

The Business Model Canvas



Required reading: Business Model Generation (Textbook) pp. 1-47

- “A business model describes the rationale of how an organization creates, delivers, and captures value”
- A business model is believed to be able to be described through nine basic building blocks that show the logic of how a company intends to make money.
- These building blocks cover customers, offer, infrastructure, and financial viability.

The nine building blocks:

- Customer segments
 - An organisation serves on or several customer segments
 - Companies may divide consumers into distinct segments with common needs and behaviours in order to better satisfy them.
 - They must decide which segments to serve and which to ignore.
 - Some segments include mass market, niche market, segmented, diversified and multi-sided platforms.
- Value proposition
 - Seeks to solve customer problems and satisfy needs with value propositions
 - The reason why customers choose one business over another
 - Each value proposition is a selected bundle of products and services that cater to the requirements of a specific customer segment.
 - Includes newness, performance, customisation, getting the job done, design, brand / status, price, cost reduction, risk reduction, accessibility, and convenience / usability.
- Channels
 - Value propositions are delivered to customers through communication, distribution, and sales channels.
 - Channels have five distinct phases - awareness, evaluation, purchase, delivery, after sales.
- Customer relationships
 - Established and maintained with each customer segment.

- Includes personal assistance, dedicated personal assistance, self-service, automated service, communities, and co-creation.
- Revenue streams
 - Result from value propositions successfully offered to customers.
 - Represent the cash a company generates from each customer segment.
 - Includes asset sale, usage fee, subscription fees, lending / renting / leasing, licensing, brokerage fees and advertising.
- Key resources
 - The assets required to offer and deliver the previously described elements.
 - Describes the most important assets required to make a business model work.
 - Includes physical, intellectual, human and financial.
- Key activities
 - Performed to achieve key resources.
 - Describes the most important things a company must do to make the business model work.
 - Includes production, problem solving and platform / network.
- Key partnerships
 - Some activities are outsourced, and some resources are acquired outside the enterprise.
 - Describes the network of suppliers and partners that make the business model work.
 - Includes optimization and economy of scale, reduction of risk and uncertainty and acquisition of particular resources and activities.
- Cost structure
 - The business model elements result in the cost structure.
 - Describes all costs incurred to operate a business model.
 - Includes cost-driven, value-drive, fixed costs, variable costs, economies of scale and economies of scope.

Required reading: Johnson, M. W., Christensen, C. M., & Kagermann, H. (2008). Reinventing your business model. Harvard Business Review, 86(12), 57-68.

- While Apple is well known for revolutionizing the market and bring out a portable entertainment device, other companies had also brought out similar products already.
- Apple succeeded however, while the others are not well known today. This is because Apple had a great business mode.
- They made downloading easy to do, and this was made possible by a groundbreaking business model including a good combination of hardware, software and service.
- When considering the Gillette razors (which are known in the business world for essentially ‘giving away’ handles to lock in customers to continue buying blades), Apple arranged their structure similarly, giving away low-margin iTunes music in order to lock in customers to buying the iPod.
- Innovations of business models have reshaped industries. Over 505 of executives believe business model innovation will become more important for success than innovation of products and services.
- Success starts with not thinking about business models at all, but thinking about the opportunity to satisfy a real customer who needs something done.
- Secondly, a blueprint needs to be developed highlighting how a business will solve the customer’s need at a profit.
- Businesses then need to compare the existing business model to how much change it would require.
- Business Models:
 - Customer value proposition (CVP) - successful companies are those that create value for customers
 - Profit formula - defines how a company creates value for itself while still providing value to the customer. Consists of revenue model, cost structure, margin model and resource velocity.