

PART FOUR

How to move forward

As we have seen, business model transformation is a challenging endeavour. In this book, we focused on how the configuration of a firm's front end, back end and monetization mechanics must be changed if they are to succeed in a new business model. However, it also became apparent via the cases that, while these configurations are necessary, they are not sufficient to secure transformation success. Further, entrepreneurial leadership is needed to pull off transformation. Entrepreneurial leaders exploit unseen opportunities by creating novel combinations, taking the initiative to pursue them regardless of what it takes, and energize and empower people to act with a revolutionary mission to secure their organization's sustainable, beneficial growth in the interests of all stakeholders.¹

In Chapter 10, we focus on this specific leadership challenge when guiding a firm along the business model transformation path. We provide additional lessons from our research and case studies regarding the entrepreneurial leadership type, which is geared to effectively changing the business and is centred on a radical shift, which requires renewal of the firm's competence basis while relying on and benefiting from its heritage. We talk also about leadership that creates aspirations for the targeted end-state of the transformation, allows and even creates the organizational slack needed to build the new business model, and fosters an entrepreneurial culture in which change agents spot or create islands of new business model practices that are worth emulating.² Such entrepreneurial leadership stands in sharp contrast to the operational day-to-day management, which is geared to efficiently running, securing and sustainably developing an existing business that leverages the firm's existing competences and skills. Entrepreneurial leadership is the framework ingredient of successful transformations; it rallies the troops, drives and orchestrates change across organizational silos and thus builds the transformation foundation to manage and perform the shifts in the front

end, back end and monetization mechanics of the firm's business operations. In Chapter 11, we conclude this book with a step-by-step manual that can be used as a hands-on tool to transform your organization's business model.

Endnotes

- 1 C Linz (2012) Entrepreneurial leadership: Bridging start-up practice and academic research, Paper presented at 3rd Dialogin Conference: Global Leadership Competence, Konstanz, Germany, 29 June.
- 2 According to Heath and Heath, 'bright spots solve the "Not Invented Here" problem'. See C Heath and D Heath (2010) *How to Change Things When Change Is Hard*, Random House, New York, p 31.

Mastering the transformational leadership challenge

10

*The study of business models lies at the intersection of strategy and entrepreneurship.¹ To succeed in a business model transformation it takes a strategy that is contingent on its context (with all the megatrends) and entrepreneurial leadership (which drives the results and implementation of the new business model and motivates the people involved in the change process). In other words, the strategy should be based on a thorough understanding of the competitive dynamics if one is to select the right transformation path and *capture the expected value*. Furthermore, from an entrepreneurial perspective, it takes a leader who guides the people in the organization to *create the value* for stakeholders through the discovery, creation and exploitation of the opportunities associated with the transformation path and the targeted new business model.*

Transforming with the crowd or going your own innovative way

If a company plans business model transformation, the management team must decide how it wants to position the company towards its competitors in the future. One option is to *follow the crowd*, in the sense that you align your firm's transformation with a prevailing transformation in the industry. An example of such a strategy is Daimler's partial transformation from a product BM to a platform BM. This move came at a time when several automotive manufacturers were beginning to build more inclusive mobility service offerings and platforms, for instance BMW's DriveNow car sharing. Audi's CEO even said that, by 2020, 50 per cent of its sales would be based

on apps, software, electronic systems and digital services. The crowd seems to follow an inevitable development in the industry. If a firm does not follow, it risks being left behind. The same applies for Xerox's transformation from a platform BM to a solutions BM, which followed the market shift in the printing industry from commoditized printing platforms to document management and then process management, hence the outsourcing of complete processes that go well beyond printing.

The alternative strategy is to *go your own way* by deciding to differentiate your transformation from developments in the industry. You see competition as a race, and the winner is the company that challenges its business model first with an innovative next step to create a new competitive edge. That is what Netflix did when using the data from digitization to swing back parts of its platform BM (see Figure 7.4) towards a product BM by beginning to produce exclusive content. Netflix built its business on predictive analytics capabilities very early, to take it to the next growth trajectory, which allowed it to develop innovative and even Emmy Award-winning offerings. Or take Knorr-Bremse's transformation from a product BM to a solutions BM, a move initiated owing to fierce price competition in the industry, which led many competitors to head even further to the lower left of the product BM box by increasing standardization and focusing on single components. Knorr-Bremse actively decided not to engage in this transformation to becoming a commodity manufacturer, choosing the opposite strategic path instead by substantially driving inclusiveness and customization. You can argue that SAP's transformation into a cloud company is inevitable given the market shift. However, the decisiveness and speed of execution of this combined internal and external growth strategy are striking – especially given the fact that SAP was not the first mover. Ultimately, SAP's HANA in-memory innovation turned the former business application leader additionally into a database and platform company, which since then has fuelled SAP's innovation agenda and driven exponential business growth.

In the case studies in this book, we have seen that both strategies can be successful and that neither is generally superior. Which is the better choice depends on your firm's specific competence base. Interestingly, we see that following the crowd requires firms to have particularly strong competences that differentiate them from their competitors.

If an entire industry undergoes a business model transformation, there is usually strong consolidation. This is particularly the case for transformations from south to north, since platform BMs and solution BMs typically have strong associated network effects, where the winner tends to take all. Accordingly, there is often little space for profitable number two or three


positions in the market. In the automotive industry, for instance, it is highly unlikely that we will see five different mobility service platforms offered by five different OEMs in 10 years. Accordingly, Daimler managers explicitly emphasize that their moovel platform will also be open to its competitors, meaning that it could include BMW's car-sharing service side by side with Daimler's car2go service. In this case and in others, the best platform will win and will become the standard in the market, while the firm that owns and runs the platform will get most of the returns. Thus, clear strategic decisions, stringent execution and swift learning from market feedback are essential. Thus, the potential pay-out of such a follow-the-crowd strategy is very high, but the risk is substantial.

The strategy of going your own way is better suited if competition along the dominant business model transformation trajectory is fierce, and in particular smaller players in the market thus face a higher risk of losing the winner-takes-all battle. In these cases, it is often the better choice to transform into a business model in which size doesn't matter as much and in which competitors have little experience. This applies mostly to transformations from west to east, where the most flexible player succeeds. In the braking systems industry of Knorr-Bremse, it is very difficult for large, mainly Asia-based commodity manufacturers to introduce and run customer-individual solutions, since their systems and processes are not easy to change, and it is difficult for them to overcome the entry hurdle of incumbent industry players that have already accumulated in-depth knowledge of customers' business processes. It takes entrepreneurial courage to turn your company against the dominant industry trend, but, if you see that there is a market for this and if you have the innovative capabilities to do this, it can be less risky than following the crowd.


Focusing on results and implementation

Across all cases, our interview partners emphasized that the right strategic transformation path and configuration only result in transformation success if they are accompanied by entrepreneurial leadership throughout the company. This entrepreneurial leadership must be an ongoing source of transformational energy, because if a new business model proves successful it will be hunted by a crowd of competitors. As we have seen in the case of Netflix, one business model transformation is often not enough to succeed and to stay ahead. We have observed three lessons learned for every

transformational leader that should help you to get your teams ready for the transformation effort.

First, it is necessary to *keep valuing the old strengths while building the new ones*. Unlike start-ups, established firms have a heritage. To turn this heritage into a strength, it is important to make it very clear to everyone in the company that a business model transformation does not render the past strengths or the existing employees obsolete overnight. To this end, a leader must support people by finding out how they can individually adjust and contribute to the new business model. At the same time, it is important that people who enter the company with new needed skills and capabilities are not perceived as the outsiders or enemies, but as valuable and much-needed supporters on the transformation journey. Hence, it is best to avoid a strong sense of internal competition, and to foster mutual curiosity, support and trust. Daimler  an example. At present the new mobility unit moovel is still some kind of artefact that is largely separated from the car production units. When we spoke to a regional sales manager, he emphasized that he does not see such services primarily as competition (even though he might sell fewer cars if competitors are successful) but rather as a great way to get to know customers' mobility needs better and to offer new kinds of vehicles and services in the future.

Second, transformational leaders should *guide their firm with a customer mission*. Companies' mission statements tend to be very broad and to address a large variety of stakeholders. For successful business model transformation, customers must be put at the centre of everything, at least during the change process. Thus, everyone in the company should think about what could be done differently to better address customers' needs or to better solve their problems than previously. For instance, Netflix has followed a very clear and concrete customer mission from the very beginning: 'Give people what they want, when they want it, in the form they want it.' FUNDES is an interesting example of a firm that focused not only on customers but also on the benefit to society during its transformation effort. The case describes the strong tensions leaders experienced owing to distinct and even partly contradictory missions. What really helped was that the societal focus was so deeply rooted in FUNDES's history and people's minds that it continued to guide its customer-focused transformation efforts.

Third, it is important to *build strong and sustainable internal and external relationships* with all relevant stakeholders. Consistent business model transformation can only be achieved through close interactions between functions, departments, partners, suppliers and customers. Thus, vertical o thinking must be overcome.² Driven by the digital revolution that

started in the 1990s, we are moving towards a much more horizontal world, a world of networks, where everyone (*internet of people*) and everything (*internet of things*) is able to communicate with each other. Classical boundaries – such as departments, companies and even industries – are losing their relevance. Here, more collaborative capabilities are required of leaders to keep dozens of strategic partners in an ecosystem engaged and committed. They must ensure that there is high transparency across organizational boundaries. During such transformational phases, where many things are in flux, strong networks help to align the various efforts. The LEGIC case is a good example. The firm's successful business model transformation was only made possible by its ability to leverage its heritage ID partner network and combine it with new strategic partnerships with mobile network operators.

To conclude, in Chapter 11 we return to the configuration of a new business model and share a tool that has helped us in many company workshops to structure and support the discussions among business model transformation leaders and their teams.

Endnotes

- 1 See B Demil, X Lecocq, JE Ricard and C Zott (2015) Introduction to the SEJ special issue on business models: Business models within the domain of strategic entrepreneurship, *Strategic Entrepreneurship Journal*, 9, pp 1–11.
- 2 According to Boland and Collopy, 'A path-creating design will necessarily involve collaboration among partners who each bring unique expertise and talents to the project. Without collaboration across boundaries of disciplines, organizations and perspectives, a design project has limited possibilities for invention of new solutions.' See RJ Boland and F Collopy (2004) Toward a design vocabulary for management, in *Managing as Designing*, ed RJ Boland and F Collopy, pp 265–76, Stanford University Press, Stanford, CA, p 269.



Navigating with the business model transformation manual 11

This manual is designed as a step-by-step guide from 1) assessing the status quo, to 2) identifying future business model opportunities, and 3) developing a transformation path, to 4) taking the appropriate actions to follow this path.

Step 1: Where do you stand today to start?

Step 1 is about better understanding the status quo. Based on our business model typology, we have developed a short survey that allows you to *position your business model along the dimensions of inclusiveness and customization*. As noted, it is unlikely you are in one of these extreme positions. Many firms have developed their business models over time to feature some aspects of inclusiveness and/or customization. This makes it critical to understand where exactly it is you now stand – not only overall, but specifically regarding your business model's front end, back end and monetization mechanics.

The first part of this survey refers to your current business model's *front end* features and domain. To assess the extent of inclusiveness, ask 1) whether the offering integrates multiple components to provide superior end-to-end services, 2) if there is some kind of lock-in of each customer with high resulting transaction frequency, and 3) *and* if customer retention metrics are systematically embedded in most business procedures.

The next question block, which concerns the extent of customization, asks 4) how many options each customer has to adapt an offering to his or her specific needs, 5) to what extent the firm differentiates itself in the market with its flexibility beyond mass customization, and 6) if sales supports the choice among a complex offering via intense dialogue with each customer.


Figure 11.1 Template step 1

Step 1: Where do you now stand, to begin with?

Please assess the current front end, back end and monetization mechanics of your business model

	Strongly disagree			Strongly agree			
	1	2	3	4	5		
Front end:							
1. Our offering bundles multiple components.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
2. Our customers are bound into a series of frequent transactions with us.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
3. We measure customer retention systematically.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
4. Customers have broad and flexible choices regarding our offering.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
5. Our unique selling proposition is our ability to adapt our products or services.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
6. During sales, we engage in close dialogue with customers.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
Back end:							
7. Our core competence is our shared architecture, which integrates the end-to-end offering.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
8. Our success heavily relies on a network of contributing and complementing partners.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
9. Our operations are geared towards flexibility, not scalability.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
10. research and development is driven by the customers' requirements.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
Monetization mechanics:							
11. We get long-term revenue streams from our customers.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
12. Our transaction costs are only covered over time.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
13. Our prices are based on a mixed calculation that integrates all offering components.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
14. Our prices are driven by customers' willingness to pay more than by our competitors' pricing.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
15. We have more variable costs than fixed costs.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
Divide it by 8		Divide it by 7					
Inclusiveness score		Customization score					

The second part of the survey analyses the *back end* activities. Regarding the extent of inclusiveness, it inquires 7) if the company has a powerful and shared architecture foundation that supports the integration of multiple components of an end-to-end offering, and 8) how much the firm's success depends on a large network of strong and reliable strategic partner organizations. To assess the extent of customization, it asks 9) if the operational focus is on achieving flexibility and individuality more than on the realization

of economies of scale, and 10) how much the research and development activities are really driven by the target customers' needs – market pull rather than technology push. For instance,  processes of offering co-innovation or co-creation done with customers?

The third part addresses the *monetization mechanics that are applied*. The questions regarding the extent of inclusiveness are 11) whether the business relies on steady long-term recurring revenue streams, 12) whether the transaction costs are covered over the timespan of the whole product life cycle rather than already being covered by the first deal, and 13) whether the pricing is based on a mixed calculation across all offering components.

The questions regarding the extent of customization assess 14) whether the pricing is driven more by customers' willingness to pay for products and services than by competitors' pricing, and 15) whether the firm's variable costs exceed its fixed costs.

Based on the 15 evaluation questions in step 1, the inclusiveness score and the customization score can be calculated as shown in the workshop template in Figure 11.1. The result will tell you what business model type is currently in use, and what the starting point for a transformation path would be. If both scores are below 3, a product BM is currently in use; if both scores are above 3, it is a solutions BM; if the inclusiveness score is above 3 and the customization score is below 3, it suggests a platform BM; if the customization score is above 3 and the inclusiveness score is below 3, it implies a project BM.

Step 2: Where do you want to go?

Once you know which business model type you have now, it is important to find out which business model will make the company successful in the future. Each business model type has strengths, weaknesses, requirements and challenges. It is worth thinking about these and comparing them with the skills and competences in your organization.

We have argued that business model transformation is driven by external megatrends such as digitization and physication as well as servitization and productization. A second short survey will allow you to assess the extent to which your firm and its industry are affected by these trends. It provides a first indication in which direction the business may develop regarding the future extents of inclusiveness and customization. While it is difficult to anticipate what the future will bring, in our experience many entrepreneurial leaders have

strong intuitions about how their business will develop and have benefited from the guidance of the transformation approach described here to structure their assessments. In this step, it is important to free yourself from the dominating logic and restrictions of the core business of the past so as to keep an open mind and objectively assess what the best business model for your firm could look like (without thinking too much about how to get there yet). In Figure 11.2, we offer a template that can be used to run this second survey.

A first set of questions refers to the digitization megatrend. To find out to what extent digitization drives inclusiveness, we ask 1) whether digitization will substantially decrease the costs of transferring and sharing the value delivery (offerings), 2) whether digitization allows one to lock customers in more tightly to the company (the lock-in effect), 3) whether customers are willing to engage in long-term collaborations with their products and services providers, and 4) whether digitization helps to differentiate products or services in the competitive arena beyond hardware features (eg via additional features such as communities, etc).

As we suggested, digitization may also drive customization. Thus we ask 5) whether big/smart data and customer analytics may provide deeper customer insights that help to launch offerings that are close to the customers' needs and buying behaviour, 6) whether new technologies increase customer power but also knowledge about customer needs by driving transparency and making it easier for customers to express and share their opinion about products and services actively online in blogs, forums, tweets, chatrooms, etc, and 7) whether digitization can provide new technical opportunities to make the products or services more flexible and more adaptive.

A second set of assessments addresses the servitization and productization megatrends. Questions regarding the effects on the extent of inclusiveness ask 8) to what extent there are new opportunities to come up with additional value-adding services to complement the existing offering, 9) if customers are looking for enduring service contracts and relationships along the product's whole life cycle. Furthermore, customization is fostered 10) if customers are or want to become involved in co-creation and co-innovation processes and on-site implementation services, 11) if customers' main interest is not to own a product, but to have a reliable output at a certain service level, 12) if services that are unique and very authentic increase the involvement of highly qualified service people and customers' willingness to pay for these services, 13) if firms tend to become more dependent on their customers owing to their customer-specific investments, and 14) if scalability can be enabled by increasingly standardizing more services (*productization*), which would allow you to develop repeatable services via the application of reusable templates and thus decrease the optimal degree of customization.



Please assess how the megatrends drive radical changes in your business or industry.

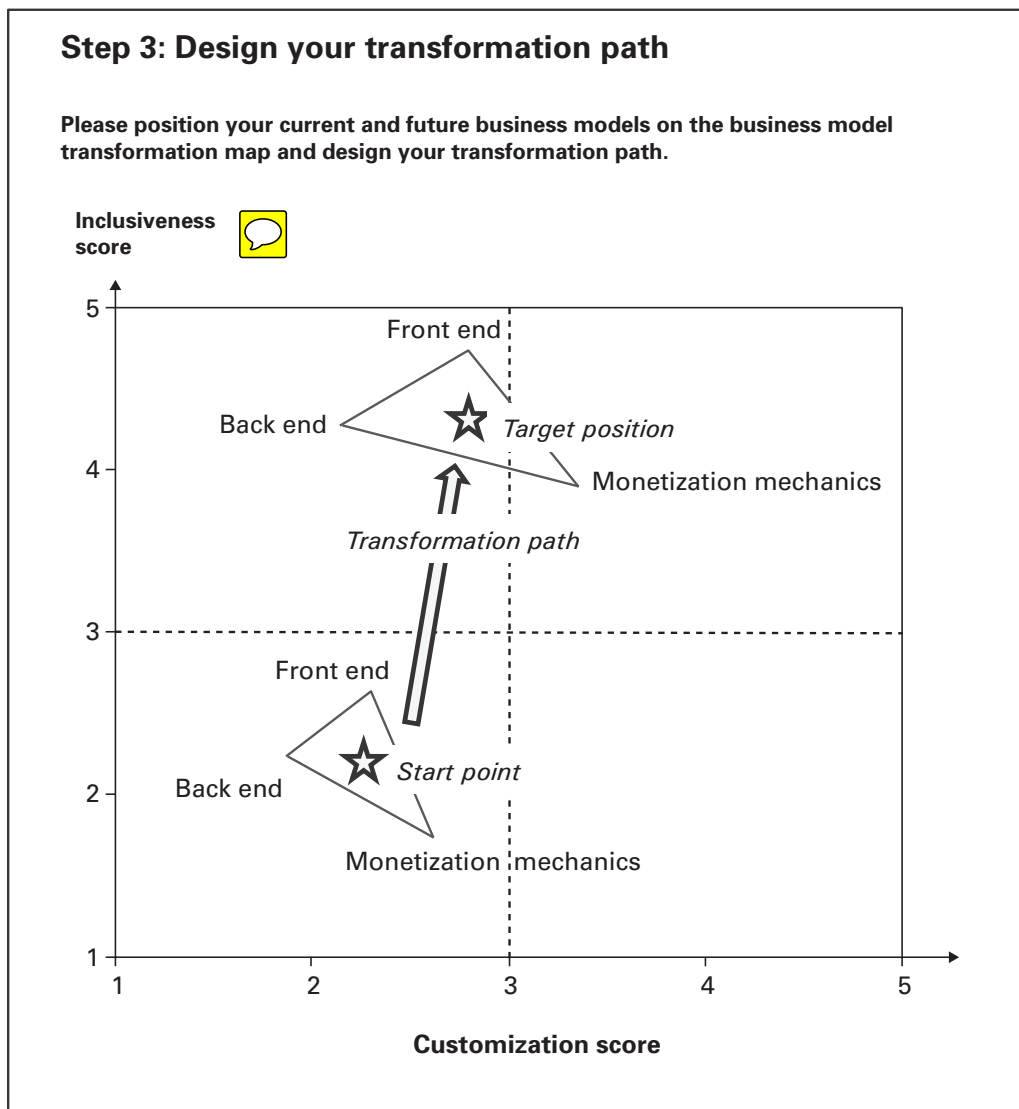
	Strongly disagree	1	2	3	4	5	Strongly agree
Impact of digitization:							
1. Costs of transferring and sharing our products and services become exponentially cheaper via digitization.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
2. New technological solutions enable the company to lock customer in more easily than before.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
3. Customers are more willing to engage in long-term collaborations with the vendors.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
4. There are new possibilities beyond the products to differentiate an offering in the market.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
5. Technological progress provides deeper customer insights for better-customized offers.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
6. Power shifts to customers because they actively discuss and comment on our offerings in online communities.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
7. There are few technical opportunities to standardize our offerings.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Impacts of servitization and productization:							
8. There are opportunities to complement our products through value-adding services.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
9. Customers are looking for enduring service contracts and relationships.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
10. Customers ask for co-creation of the offering and on-site implementation of services.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
11. Our customers' main interest is to have a reliable output at a certain service level, not to own a product.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
12. In our market segment, scale effects are less relevant, because customers prefer tailored, total solutions.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
13. As a vendor, we are becoming more dependent on our customers.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
14. The scalability of our services via reusable templates does not really work in our business segment.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
<div style="display: flex; justify-content: space-between; align-items: flex-end;"> <div style="width: 45%;"> <p>Divide it by </p> <p>Inclusiveness score</p> </div> <div style="width: 45%;"> <p>Divide it by </p> <p>Customization score</p> </div> </div>							

After you have mapped out your starting point (step 1) and where you want to go (step 2), specify *the transformation path*, which connects the transformation journey's starting point and end point. As the practical examples in this book show, it is very rare for business model transformation

to be a linear, one-step process. Even if a firm ‘only’ needs to cross the meridian or the equator, it might be worth considering a stepwise approach to manage the transformation. While Chapter 6 provides some insights on the benefits and drawbacks of a stepwise approach, it is ultimately a leadership decision how fast, in which sequence and how radical a new business model will be adopted. However, no matter how the transformation path is designed, it is important for the leadership team never to lose sight of their aims.

Figure 11.3 contains a simple tool for discussing the transformation path in a workshop. It provides an example of how to connect the starting point (step 1) and the target position (step 2).

Figure 11.3 Template step 3



Step 4: Plan your actions

In steps 1 to 3, the strategic choices and conceptual decisions are made. Step 4 requires entrepreneurial leadership to make this happen. The strategic, organizational and managerial *actions to implement the business model transformation* need to be taken. In some domains (eg the front end), the company might already have begun to transform, while other domains (eg the back end) are not at all developed. Thus, it is important to continuously track transformation progress to ensure that, at the end of the transformation journey, all aspects of the front end, back end and monetization mechanics are strategically aligned in order to exploit the new business model's full potential.

Figure 11.4 contains a list of the transformation activities recommended in Chapters 4 and 5, depending on the transformation direction (south–north, north–south, west–east, east–west). We suggest simple *status tracking* that distinguishes between completed actions (green), actions in progress (yellow) and actions that have not yet been initiated or that have failed (red). This helps you to control where your company is on its business model transformation path.

We close our description of a possible transformation journey here. The intention with this transformation manual is to support you in your work as a transformational leader, to lend a specific structure and strategic orientation to your work and to help you to master your business model transformation. These are generic templates that must be adjusted to each application case. We are confident that using the manual in combination with our framework and case studies is much more efficient than starting from scratch. We trust that your business model transformation will be an exemplary case study we can all learn from. All the best!

Figure 11.4 Template step 4**Step 4: Plan and control your actions**

Please follow the actions for your transformation path(s) and assign a colour to each action (green: completed; yellow: in progress; red: open).

South–north crossing:**Front end**

- Develop and provide customer with an integrated end-to-end process or user experiences.
- Orchestrate and integrate holistic offering from own components and third-party complementors.
- Establish a retention-oriented customer engagement approach with a superior experience at every customer touch point.

Back end

- Gain control over a leading platform and shared architectural standard.
- Broaden the firm's competence base (horizontal) and build a performing ecosystem of complementors.
- Establish operations for managing the customer process or user experience (integrated end to end).

Monetization mechanics

- Create revenue streams from recurring fees.
- Build an integrated pricing with subscription-based consumption models.
- Focus on profitable customer life cycles.

North–south crossing:**Front end**

- Develop a convincing value proposition for stand-alone offerings.
- Find new business opportunities for the firm's products and services.
- Emphasize new customer acquisition competence for one-off deals.

Back end

- Develop novel competences for a competitive edge in each product or service offering (vertical).
- Establish vertical supplier management with close supplier collaboration.

Monetization mechanics

- Build short-term cash planning and sufficient cash reserves.
- Estimate cost coverage for product or service life cycles.
- Establish simpler and more cost-transparent pricing models.

Please follow the actions for your transformation path(s) and assign a colour to each action (green: completed; yellow: in progress; red: open).

West-east crossing:

Front end

- ☐ Come up with a broad, flexible service-centred offering.
- ☐ Improve your abilities to adapt this hybrid offering to customers' individual needs.
- ☐ Institute direct access to and dialogue with the customers.

Back end

- ☐ Make production and operations flexible.
- ☐ Improve capabilities to process and implement customer requirements.

Monetization mechanics

- ☐ Move to a pricing model in which the price reflects the customers' willingness to pay for customization.
- ☐ Refocus attention from fixed to variable, engagement-related costs.

East-west crossing:

Front end

- ☐ Come up with a new and better standard offering.
- ☐ Implement a low-touch, scalable sales approach.
- ☐ Develop a broad range of complementary but consistent offline and online sales channels.

Back end

- ☐ Replace human resources with machines.
- ☐ Transform services and content into reusable elements.
- ☐ Develop a knowledge management system and a culture of knowledge sharing.

Monetization mechanics

- ☐ Identify and set a competitive price.
- ☐ Actively manage your fixed costs.

