

# **Chapter # 3**

## **Strategic Management and Draft the Business Model**

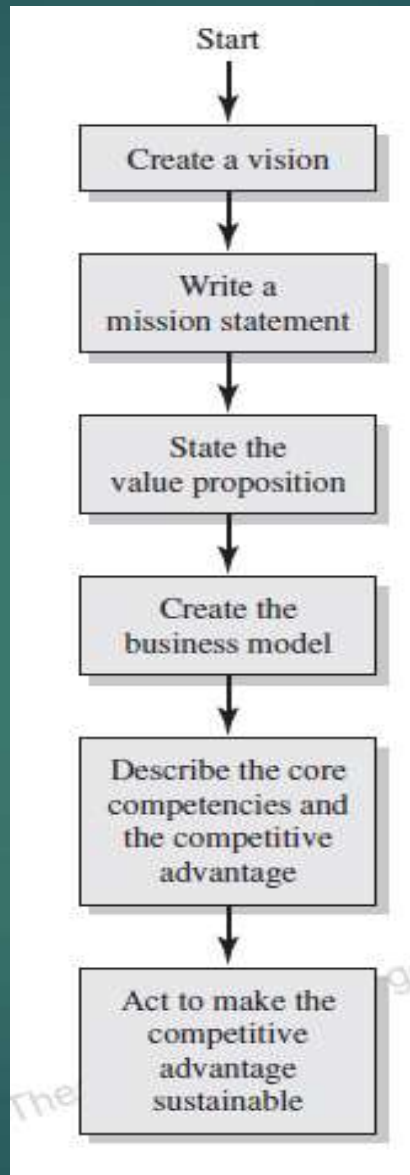
*Success in any enterprise requires the right product, methods, and workers, and each must complement the others.*

**Joseph Burger**

## Summary

***How do successful entrepreneurs create a compelling business design for their new ventures?***

To design a new business, the entrepreneur must cogently and clearly describe the customers and their needs and how the new venture will satisfy those needs.



# Why Strategic Management?

Entrepreneur

Strategic Management



**Strategic Management** involves developing a game plan to guide a company as it strives to accomplish its mission, goals, and objectives, and to keep it on its desired course.



### **Example of a vision for an innovative firm**

We strive to preserve and improve life through the innovation of biomedical devices while supporting, training, and inspiring our employees so that individual ability and creativity is released and rewarded. Our goal is to be a leader in the industry by 2006 and be widely known throughout the world.

# Develop a clear vision and translate it into a meaningful mission statement

- ▶ A vision is the entrepreneur's dream of something that does not yet exist. It provides direction, a basis for decision-making and a source of motivation.
- ▶ A company's vision statement incorporates the values of its owner and is about more than just making money.
- ▶ A clearly defined vision leads to a company's mission statement that includes a description of the business, its products, its markets and customers, its competitive distinction and its effects on the community at large.

# Vision

Respect for the  
individual and  
innovation to  
creating satisfied  
customers



Marketing the world  
a better place

Entrepreneurs:





### Elements of a vision

**Clarity:** Easily understood, focused

**Consistency:** Holds constant over a time period, but adjustable as conditions warrant

**Uniqueness:** Special to this enterprise

**Purposeful:** Provides reason for being



## Vision and the Business Model



### EXAMPLE

#### **McDonald's**

vision is: low-priced, fast food in a clean restaurant for people short on time.

**Google's vision** is: online search that reliably provides fast and relevant results.

#### **Example of a vision for an innovative firm.**

We strive to preserve and improve people's lives through the innovation of biomedical devices while supporting, training, and inspiring our employees so that individual ability and creativity are released and rewarded. Our goal is to be the leader in our industry by 2012 and be widely known throughout the world for devices that save and extend lives.



A **mission statement** is a description of the course of action to implement the vision.

### Possible elements of a mission statement

- Core Values
- Customers and/or Stakeholders
- Products
- Competitive Advantage
- Values Provided to Customer
- Markets or Industry

# mission

- What business am I in?
- Why we are here?  
Where we are going?
- Why an organization is, why it exists?





Most mission statements are short—fewer than 100 words. The mission statement should be a concise, clear explanation of the purpose, values, product, and customer.

The eBay statement clearly describes its mission. An example of a concise yet clear mission statement for an electronics firm is: “Our mission is to design and manufacture electronic devices that serve the needs of the aerospace industry on a timely basis and at reasonable prices.”

# Example



**Company:** [LinkedIn](#)

**Mission:** To connect the world's professionals to make them more productive and successful.

**Vision:** To create economic opportunity for every member of the global workforce.

**Why it works:** LinkedIn succinctly captures what they do (connect) and who they serve (the world's professionals) in their mission. While the vision encompasses every working person in the world.

# Example



Uber

**Company:** [Uber](#)

**Mission:** We reimagine the way the world moves for the better.

**Vision:** Smarter transportation with fewer cars and greater access. Transportation that's safer, cheaper, and more reliable; transportation that creates more job opportunities and higher incomes for drivers.

**Why it works:** Uber "transports," so it is the perfect actionable verb for their mission. The vision dives deeper into how their transportation services exist for the greater good of everyone.





The **Value Proposition** defines the company to the customer.



Concept

The **Value Proposition** defines the company to the customer.

### Five values offered to a customer

- 1. Product:** Performance, quality, features, brand, selection, search, easy to use, safe
- 2. Price:** Fair, visible, consistent, and reasonable
- 3. Access:** Convenient, location, nearby, at-hand, easy to find, in a reasonable time
- 4. Service:** Ordering, delivery, return, check-out
- 5. Experience:** Emotional, respect, ambiance, fun, intimacy, relationships, community



# Example

- ▶ **Company:** AirBnB
- ▶ **Mission:** To create a world where anyone can belong anywhere, and we are focused on creating an end-to-end travel platform that will handle every part of your trip.
- ▶ **Vision:** Belong everywhere.
- ▶ **Why it works:** The Airbnb mission says, “we help you feel at home,” while encapsulating the company’s goals for the future. They explore a deeper sense of belonging in the vision, tapping into the universal human desire their company aims for.
- ▶ **Value Proposition:** When [Airbnb](#) began to disrupt the hospitality industry, it needed to market to two separate groups: guests who wanted a place to stay and hosts who wanted to rent out their spaces. Their two-in-one value proposition: Travelers benefit from a truly local experience and hosts benefit from extra income

## Vision and the Business Model

Concept

### Example of a value proposition:

Intel offers product as their primary value and service as their secondary value.

Concept

The **Unique Selling Proposition** is a short version of firm's value proposition.

### Example:

Intel has a **USP**:

*The best product with great service.*

## Vision and the Business Model

### Elements of A Business Model

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- |                                   |                                                                                                                |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------|
| • Customer Selection              | Who is the customer?<br>Is our offering relevant to this customer?                                             |
| • Value Proposition               | What are the unique benefits?                                                                                  |
| • Differentiation and Control     | How do we protect our cash flow and relationships?<br>Do we have a sustainable competitive advantage?          |
| • Scope of Product and Activities | What is the scope of our product activities?<br>What activities do we do and which are outsourced?             |
| • Organizational Design           | What is the organizational architecture of the firm?                                                           |
| • Value Capture for Profit        | How does the firm capture some of the total value for profit?<br>How does the firm protect this profitability? |
| • Value for Talent                | Why will good people choose to work here?<br>How will we leverage their talent?                                |
-

### Dell Computer Business Model

- **Customer Selection:** High Relevance  
Four Segments: Corporate, Government, Education, Consumer.
- **Value Proposition:** Unique Benefits  
A customized computer at a good price with great service readily accessible via phone or the Internet.
- **Differentiation and control:** Sustainable competitive advantage  
Customized products via a direct sales channel on the phone or Internet with strong service and customer relationships.
- **Scope of Product and Activities**  
Desktop, laptop, and servers.  
Strong supply chain management.
- **Organizational Design**  
Divisional organization for each customer segment.
- **Value Capture for Profit**  
Opportunities for cross-sell and up-sell. Avoid price as the key value and focus on service and accessibility.
- **Value for Talent: Learn, Grow, Prosper**  
Training, Learning, and Career Opportunities.

# Core competencies

A **unique** set of **capabilities** that a company develops in key operational areas that allow it to vault past competitors.



small company



large company

### Identify and State the Firm's Core Competencies

**Example:**

The core competency of Google is the design and operation of an internet search engine.



### **Competitive Advantage:**

The competitive advantage of a firm is its distinctive factors that give it a superior or favorable position in relation to its competitors.

A **sustainable competitive advantage** is a competitive advantage that can be maintained over a period of time – hopefully, measured in years.



# Competitive Advantages:



Aggregation of factors that sets a company apart from its competitors and gives it a unique position in the market.



**The market value of a firm is:**

$$\mathbf{MV = CA \times D}$$

CA = competitive advantage

D = duration

### Potential Sources of Competitive Advantage

Source	Example
Efficiency - Low Costs	Alcoa
Product Innovation	Intel
Quality - Reliability	Mercedes
Customer Responsiveness	Dell
Manufacturing Innovation	Toyota



### **Principle 3**

The vision, mission, and value proposition, and business model embodied within the business design firm and powered by a sustainable competitive advantage can lead to compelling results.

## VENTURE CHALLENGE

- 1) Create a brief vision statement for your venture.
- 2) State the value proposition for the venture.
- 3) Create a draft business model for the venture using the elements of Table 3.8.
- 4) What are your venture's core competencies and competitive advantage?