

Validating the Idea

- These tools will help you take your wonderful idea and transform it from an idea into a sustainable, growing, profitable business.

Tool 1 – Price Cost Value

- Value is the highest price clients would pay for your idea.
- Cost is the unit cost to deliver your idea to a client.
- And price is the amount of money your client will pay for the idea.

Tool 2 Strategy & Structure

- Before you go out to battle with your new product idea, before you try to sell your new product or your new service, it's good to check the battlefield.

Tool 2 Strategy & Structure

- What is strategy?
- It's the creation, implementation and sustainment of market leading, product differentiation.

Tool 2 Strategy & Structure

- Now, everything about strategy has to be implemented, done by somebody.
- So we need to think about the people who are going to do the strategy, how we explain it to them, how they know exactly, exactly what they're supposed to do, and then how we organize our business.

Tool 2 Strategy & Structure

- The structure of each organization states what major job function requires and how each job function relates to all the others.

Tool 2 Strategy & Structure

- Michael Porter's famous five forces analysis
- The first force is simply the degree of rivalry within the market and within the industry in which you work.
- Differences between products, the brand identities, the rivals, the companies, the players, the degree of concentration. Are there few players or a lot? What's the rivalry in the industry?

Tool 2 Strategy & Structure

- Second force, supplier power. You're going to need to buy stuff from suppliers, components, services.
- How much power do your suppliers have?
- How costly are your suppliers?
- Are there alternative suppliers or is there one supplier that you're stuck with as a monopoly?

Tool 2 Strategy & Structure

- Third force is the threat of substitutes.
- So, what product's a substitute or compete with your product? If people don't buy your product, what would they use instead?

Tool 2 Strategy & Structure

- Fourth force is Buyer power, the power of your buyers. Are there a lot of buyers or are there just a few?

Tool 2 Strategy & Structure

- And the last force is the barriers to entry.
- If you have a terrific idea, and you bring it to market, can somebody knock it off, compete with it by copying it, despite patent protection or trademarks or anything else?
- Are there things that can keep people out of the market and give you some time at least, to capture profits before others come along and do what you're doing, because they've learned what a great idea it is.

Tool 3 – Value Profile

- This is tool three and is called value profiles and it's related to the first tool.
- In this tool we try to show you how to discover the key value creating feature in your product, and above all how to visualize it, how to create a picture.

Tool 3 – Value Profile

- It's the wonderful invention of two scholars at a French business school INSEAD called W Chan Kim and Renee Mauborgne.

Tool 3 – Value Profile

- We begin by something called a unique value proposition.
 - We begin with a question of why, and for whom?
 - Then the how. How will you do it?

Tool 4 - activity system maps

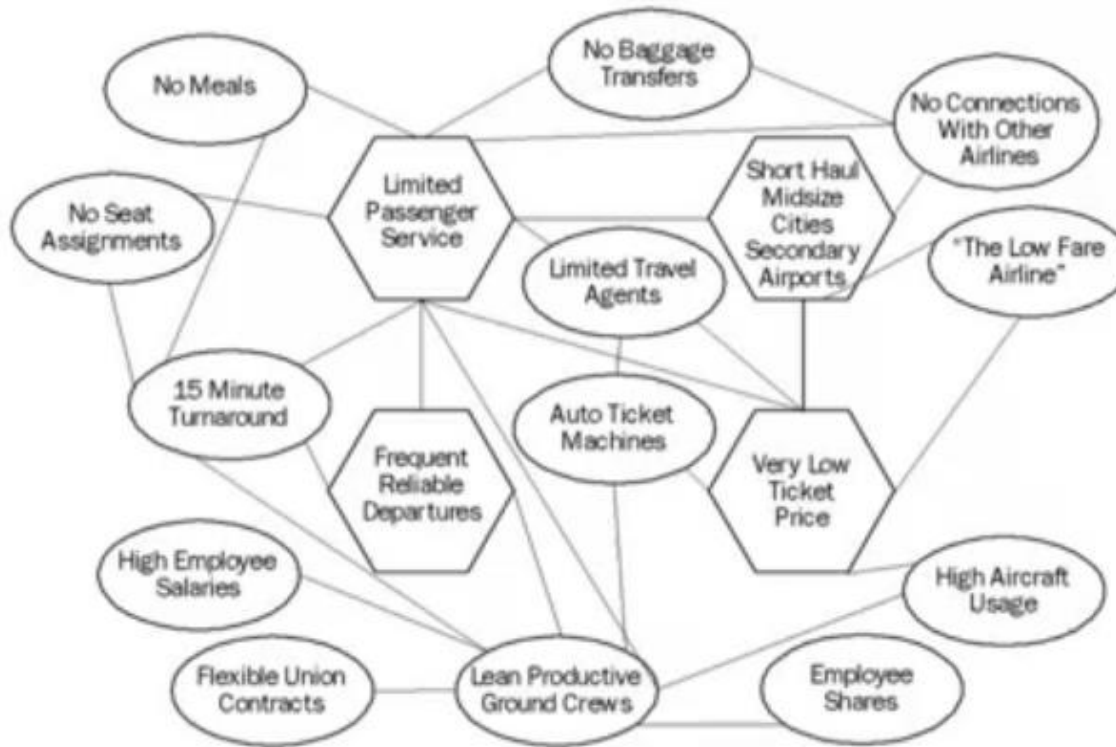
- Visualize how to build ecosystem



Tool 4 - activity system maps

Southwest Airlines – strategic activity system map

Low Cost – Narrow Offering Position



Southwest Airlines Activity Map

Tool 5 - Platforms

- What is a platform?
- A platform is a collection of assets, assets are the foundation, the backbone that generates the value in your company that creates the products or services.
- Platforms are based on shared components.

Tool 5 - Platforms

- You have components that can go into a lot of your innovative products, shared processes, shared knowledge, you have knowledge nobody else does and you use that to create value in a range of services or products.
- Shared people, you have talented people, and you can use them to create a variety of innovative products, shared relationships and so on.
- So, a platform essentially is the backbone or the infrastructure, and you can use that to generate a wide variety of unique innovative value creating products and services.

Tool 5 - Platforms

- Alibaba is an example of a platform.
- Alibaba, a Chinese company, started by Jack Ma. One of the world's biggest websites, Alibaba does business to business marketing, and consumer to consumer marketing using e-commerce.
- So, Taobao is kind of business to business, but Alibaba has built a whole platform of companies.
- T-mall, consumer business, Alipay which is a system in which people pay for the product, and of course if you buy something online you have to pay for it, so Alibaba created a business that enables that to happen, with security AliExpress you have to deliver the packages.
- So, do you notice here Alibaba has managed to find all the sources of value creation, and create an integrated platform in all stages of the value creation process.

Tool 6 – Learning Organization

- Organizations that learn quicker survive. Organizations that fail to learn disappear.

Tool 7 – Tracking the money

- This is related to your business plan.
- Understand
 - A balance sheet, an income statement, sometimes called a profit and loss statement, and a cash flow statement.

Tool 8 Risk Analysis

- Uncertainty is the state of being unsure about something.
- Risk Map
 - global risk map is one that's developed every year by the World Economic Forum based in Davos, Switzerland, started by Klaus Schwab and Michael Porter and others.

Tool 9 Taking Real options

- A financial option, is the right to buy or sell a stock or some other asset that's traded usually in markets.
- At a defined price, called a Strike Price.
- During a defined period of time.
- The right to buy an asset, is called a Call option, you call it. And the right to sell an asset, is called a Put option.

Tool 9 Taking Real options

- A real option, like a financial option, is the right, not the obligation, it's the right. And you don't have to exercise it, if it's not profitable.
- So you can't lose here with an option, because the worst that happens is that you don't exercise your right.
- It's the right to invest in a real business, or a product, or a process during a defined period of time, as a result of a previous investment.

Tool 10 Designing Business plan

A **business plan** is a document that shows the basic outlines of a **business design**.

A **business design** is a plan showing how an idea for a new service can become a successful profitable and growing business, including development, marketing, sales, pricing, production, HR, finance, organizational structure, strategy, vision, and innovation. The degree of creativity in the business design should be as great as, or greater than, the creativity in the innovative service idea.