

The Business Model

**Key Management Activities,
Key Resources &
Core Capabilities**

The Entrepreneur
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- To briefly review the previous week's workshop and recap learning to date
- Provide an overview of the following elements of the business model approach:
 - Key Management Activities
 - Key Resources
 - Core Capabilities
- To explore the relevance of these elements to the business plan
- To have fun

Purpose

The Business Model: Key Management Activities, Key Resources & Core Capabilities

- Welcome & introductions
- Overview of previous workshops
- The business model
- Key management activities
- Key resources
- Core competencies
- Relevance to individual business models and plans.

The Workshop Programme

The Business Model: Key Management Activities, Key Resources & Core Capabilities



Rules for the morning

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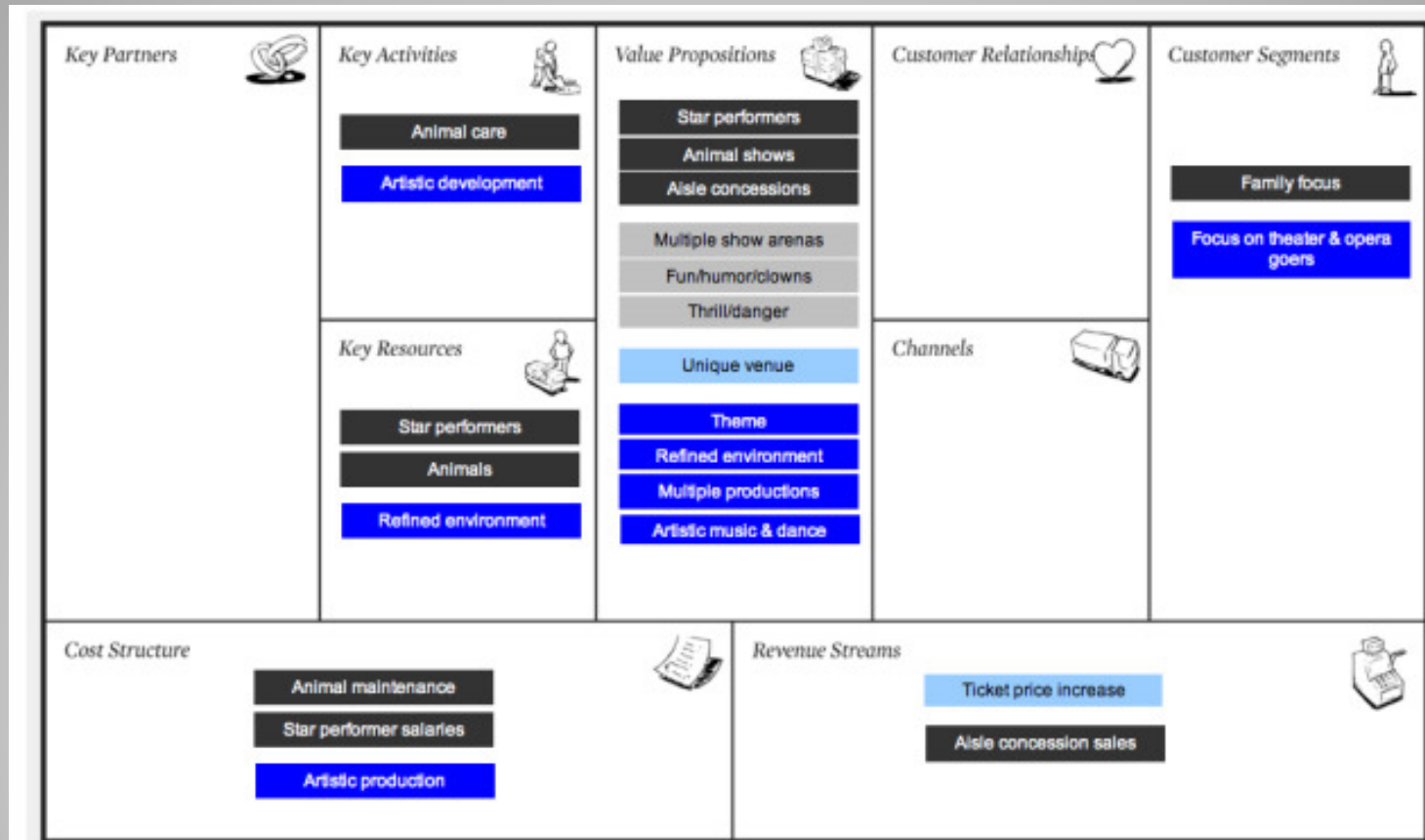
- A business model:
 - Explore and describes the rationale of how an organization creates, delivers, and captures value.
 - Verifies the viability of a business.
 - Provides the basis for writing a good business plan.

- A business plan:
 - Plans, outline and communicate a business project and its implementation internally or externally.
 - “Sells” a project to potential investors or internally to top management and also serves as a planning and reference document.

- <http://www.youtube.com/watch?v=QoAOzMTLP5s>

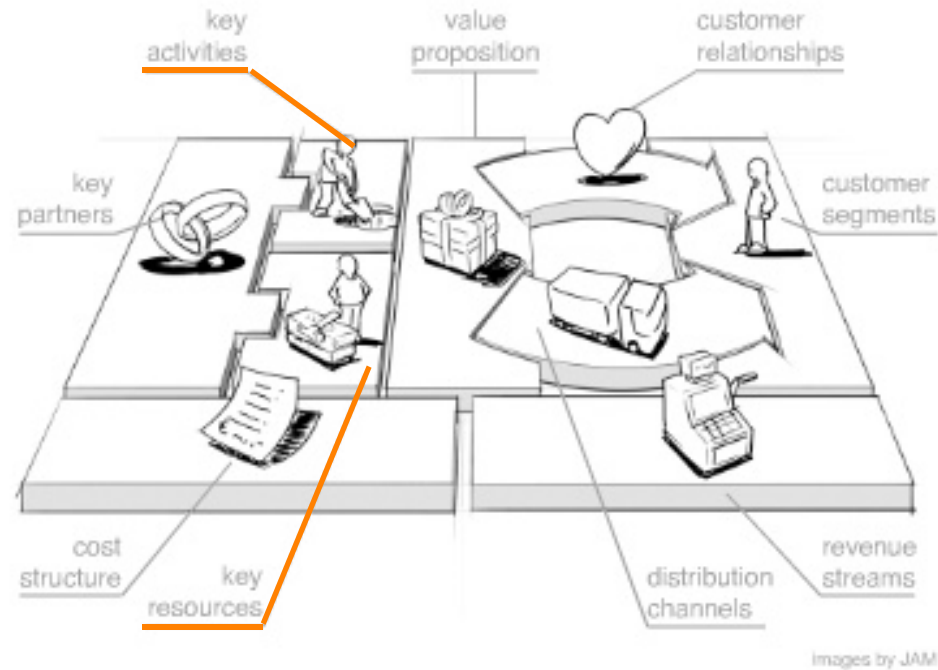
The business model

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The business model – Cirque du Soleil

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The business model elements

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Satisfying - Stakeholders

Making profit - Shareholders

Creating valued products - Customers

Providing rewarding employment opportunities - Employees

The purpose of business

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The Achievement of Objectives/Goals using available resources.

The definition of management

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Planning

Organising

Leadership

Control

The functions of management

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Interpersonal
Interaction with people

Informational
Communication

Decisional
Discussion, Evaluation, Consideration, Decision.

The roles to be performed

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What key management activities must happen to make my business work and achieve my vision?

Key management activities – the key question

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Strategy - Vision, mission i.e.: how and when.

Execution - Achieving the vision in an efficient manner.

Culture - Develop and maintain common performance related values.

Structure - Develop and maintain a flexible and hungry organisation.

Talent - Employ and keep capable people.

Innovation - Stay at the front of your competitors.

Leadership - Ensure commitment to the business and it's people.

Partnerships - Seek success and growth through partnerships.

Management activities required for success

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Political

To say people must accept me as I am, is not acceptable. You must create the perception that you are what the customer requires you to be.

Conceptual

You must be able to understand the situation quickly and act accordingly.

Interpersonal

To interact with others in a fair, objective and non-emotional manner.

Diagnostical

To problem solve and act accordingly

What management skills would I need?

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Base management decisions on a long term philosophy, even at the expense of short term goals.

Create a continuous process flow to bring problems to the surface.

Use the pull system to avoid over production.

Level out workload (work like a tortoise not a hare).

Build a culture of stopping to fix problems.

Standardised tasks and processes are the foundation for continuous improvement and employee empowerment.

Use visual controls so no problems are hidden.

TPS – the Toyota way

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Use only reliable thoroughly tested technology that serves your people and processes.

Grow leaders who thoroughly understand the work, live the philosophy and the will to teach others.

Develop people and teams that follow the company's philosophy.

Respect your extended network of partners and suppliers by challenging them and helping them to improve.

Make decisions by consensus, consider all options and implement decisions rapidly.

Go and see for yourself thoroughly understand the situation before acting.

Become a learning organisation by relentless reflection and continuous improvement.

TPS – the Toyota way (continued)

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Good performance is the criterion whereby an organisation determines its capability to prevail.

How do I know that I am succeeding?

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Key Performance Indicators: (KPI's)

Provide insight into your "Business Performance".

What gets measured gets managed.

Performance management tools

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Why should we measure?

- Unmeasured work cannot be assessed or managed.
- Unmeasured work should be eliminated or if not possible minimized.
- Desired performance outcomes must be established for all measured work.
- Establish accountability for results rather than just a level of effort.
- Desired outcomes should be the basis for work evaluation and performance appraisal.
- Performance reporting and analysis of variances must be accomplished frequently and regularly.
- Frequent reporting enables timely corrective action.
- Timely corrective action is necessary for effective management control.

Principles of performance measurement (1)

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What happens if we don't measure?

- How do you know where to improve?
- How do you know where to allocate or re-allocate resources (money, people)?
- How do you benchmark?
- How do you know whether you are going forward or backward?
- How do you know who or what is producing cost effective and efficient results?

Principles of performance measurement (2)

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Without measurement we can't:

Evaluate: Check performance to goals.

Control: Identify and fix things going wrong.

Budget: Identify faults or inaccuracies in the budget.

Motivate: Focus on achieving targets.

Celebrate: Celebration of goals achieved.

Promote: Identify aptitude for growth.

Learn: Exposure to the why's and wherefores.

Improve: If we don't measure how do we show improvement.

Principles of performance measurement (4)

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What KPIs should I use?

Dependant on the type of business and area of focus. Although relevant to everybody, KPIs are the focus of responsible areas.

Examples:

- ROI - Return on Investment
- VAPP - Value added per person
- PPM - Parts per million (rejects both ext & int)
- Accurate on time delivery
- Performance appraisal conducted
- SMED - Change over
- Stock level to turnover
- OEE - Overall effective efficiency
- Cost reduction and Absenteeism

5S's - Sort, Set in Order, Shine, Standardise & Sustain.

Principles of performance measurement (5)

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- Don't be a busy fool. The 80/20 rule always applies
- Cash is king.
- How do you move a mountain? A shovel full at a time.
- Case by case.
- A fool and his money are soon parted.
- If you snooze you lose.
- To stand still is to go backwards.
- Management is doing things right; leadership is doing the right thing.

Appropriate catch phrases

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How does all of this relate to my business ?

Key management activities

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- What risks to sustainability do I have?
- What am I going to do to mitigate them?
- What are my capabilities and what do I need?
- What resources do I have and what do I need?
- **NB:** Everything comes at a cost.

Risks

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- Create a vision
- Determine your “Mission Statement”
- Understand your market and determine your competitive advantage and therefore your goal/share
- Develop a 5 year plan around those goals. Always be aware that plans change in line with circumstances
- Structure your business to achieve your plan
- Manage your business
- Measure performance and evaluate frequently to understand status
- Always look for improvement and cost reduction

Key management activities: Summary

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Key resources

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- The resources necessary to create value for the customer.
- They are considered an asset to a company – critical to sustain and support the business.
- These resources could fall into any of the seven M's:
 - Man
 - Machinery
 - Material
 - Milieu

Also:
Methods
Measurement
Money
- http://www.youtube.com/watch?v=fU8ATq_MF3M

Key resources

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- Valuable:
Enable a firm to employ a value-creating strategy, by either outperforming its competitors or reducing its weaknesses
- Rare
- In-imitable:
If a valuable resource is controlled by only one firm it could be a source of a competitive advantage
- Non-substitutable:
Even if a resource is rare, potentially value-creating and imperfectly imitable, an equally important aspect is lack of substitutability

Key resources: Qualifying criteria

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- Physical resources
- Human resources
- Intellectual resources
- Financial resources

Key resources: Taking care off

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- “Resources”
 - Resources
 - Capabilities
- Resources are tradable and non-specific to the firm
- Capabilities are firm-specific,
 - are used to engage the resources within the firm, e.g. internal processes to transfer knowledge within a firm
- It is not easy for competitors to imitate.
- It can be reused widely for many products and markets.
- It must contribute to the end consumer's experienced benefits and the value of the product/service to its customers.

Core capabilities

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<http://www.youtube.com/watch?v=5sn7pZXY5b4>

Business model pitfalls

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In 5 groups agree on a business that you admire. Based on your understanding and assumption of the nature of that business and its value proposition, identify possible key management activities and key resources that allows that business to create value.

Key management activities & key resources – Group activity

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Key activities/management activities:

- Structure of the business;
- Business concept, e.g. production arrangements;
- Marketing plan.

Key resources:

- Organizational structure;
- Succession management;
- Manufacturing, production capability & efficiency;
- Financing structure;
- Infrastructure and management thereof.

Business plan application

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