



ESTABLISHING CONTEXT: BUSINESS STRATEGY

Understanding your organization's strategy is critical to helping you set goals, define your focus areas, identify relevant threats, have an understanding of the level of risk the organization is ready to accept, and identify the right mitigating measures.

It's a valuable exercise to conduct your own research and analysis to identify the key value drivers and priorities for your business.

To get started, there are three key questions you can consider:

1. Who are your customers, and what are they (really) buying?
What needs are customers trying to meet with your products?

2. Who are your competitors? Where are they operating in terms of geography, product category, customer segment etc
Consider indirect competitors as well – what products could customers use instead of what your organization sells?



3. How do current global mega-trends affect your business and the operating environment? How will this look in the future, what are the immediate and future impacts?

In answering this question it can be helpful to reach out to colleagues in different business areas for their perspectives, to gain a broader picture of what's happening in the various markets your organization operates in.

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There are a number of well-known strategy analysis frameworks that you could use to investigate the value drivers, operational patterns and market environment of your organization. We've included some common ones in the following pages, with guiding notes.



Key Partners

Who are our key partners?
Who are our key suppliers?
What resources are we getting from them?
What activities do they perform?
Motivations for Partnerships:
Optimization and economy
Reduction of risk and uncertainty
Acquisition of particular resources and activities

Key Activities

What activities do our value propositions require
Our distribution channels?
Customer relationships?
Revenue streams?
Categories
Production
Problem Solving
Platform/Network

Key Resources

What resources do our value propositions require?
Our distribution channels?
Customer relationships?
Revenue streams?
Categories:
Physical
Intellectual (brand, patents, copyrights, data)
Human
Financial

Value Propositions

What value do we bring to the customer?
Which one of our customers' problems are we helping to solve?
What bundles of products and services are we offering to each segment?
Which customer needs are we satisfying?
Characteristics:
Newness
Performance
Customization
Getting the job done
Design
Brand/status
Price
Cost reduction
Risk reduction
Accessibility
Convenience/usability

Customer Relationships

What type of relationship does each of our segments expect us to establish and maintain with them?
Which ones have we established?
How are they integrated with the rest of our business model?
How costly are they?
Examples:
Personal assistance
Dedicated personal assistance
Self-service
Automated services
Communities
Co-creation

Channels

Through which channels do our customers want to be reached?
How are our channels integrated?
Which ones work best?
Which are most cost-efficient?
How are we integrating with customer routines?
Channel Phases:
Awareness - how do we raise it?
Evaluation - how do we help customers evaluate our value prop?
Purchase - how do customers do this?
Delivery - how do we deliver?
After sales - How do we provide post-purchase support?

Customer Segments

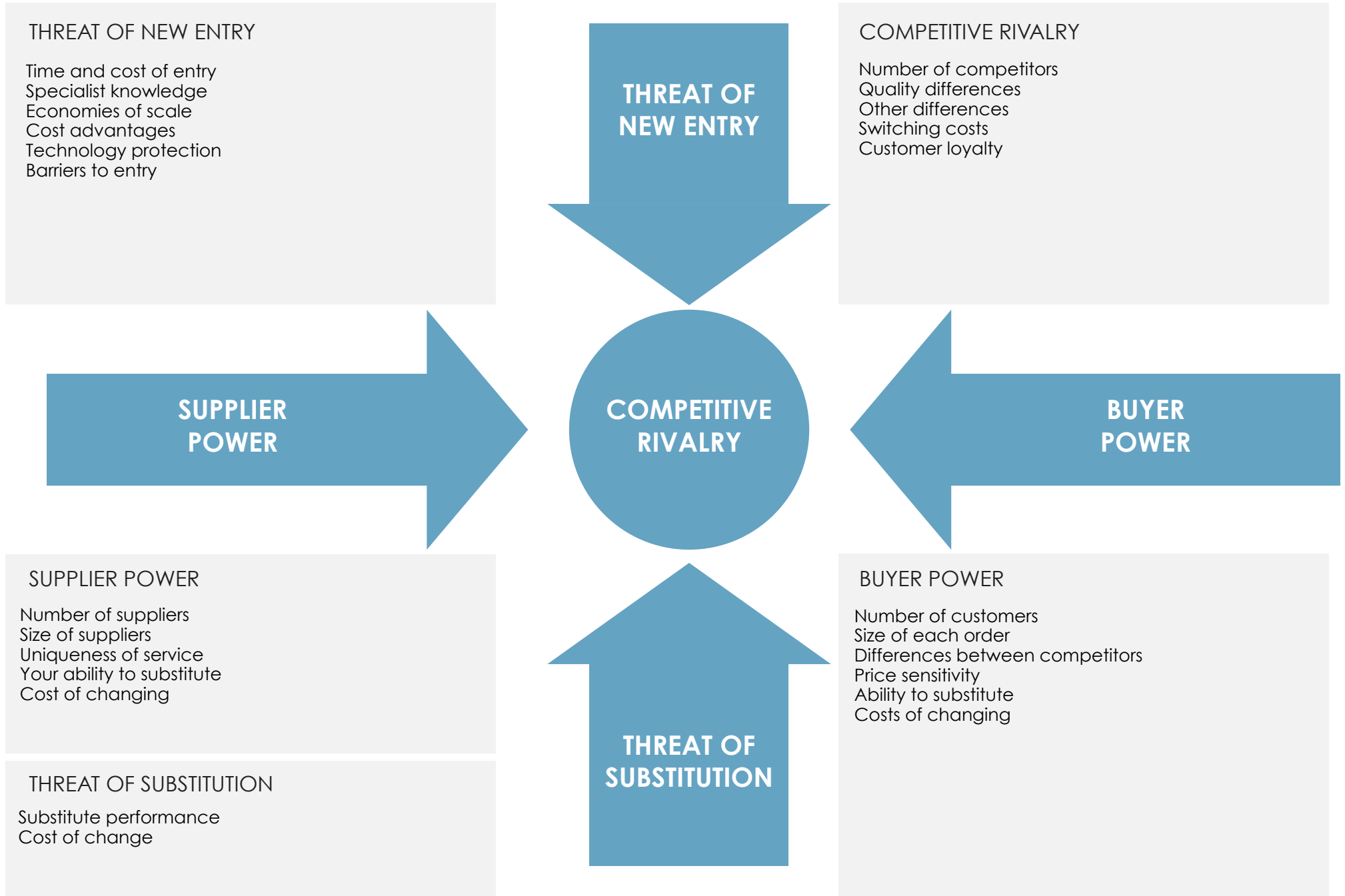
For whom are we creating value?
Who are our most important customers?
Mass Market
Niche Market
Segmented
Diversified
Multi-sided platform

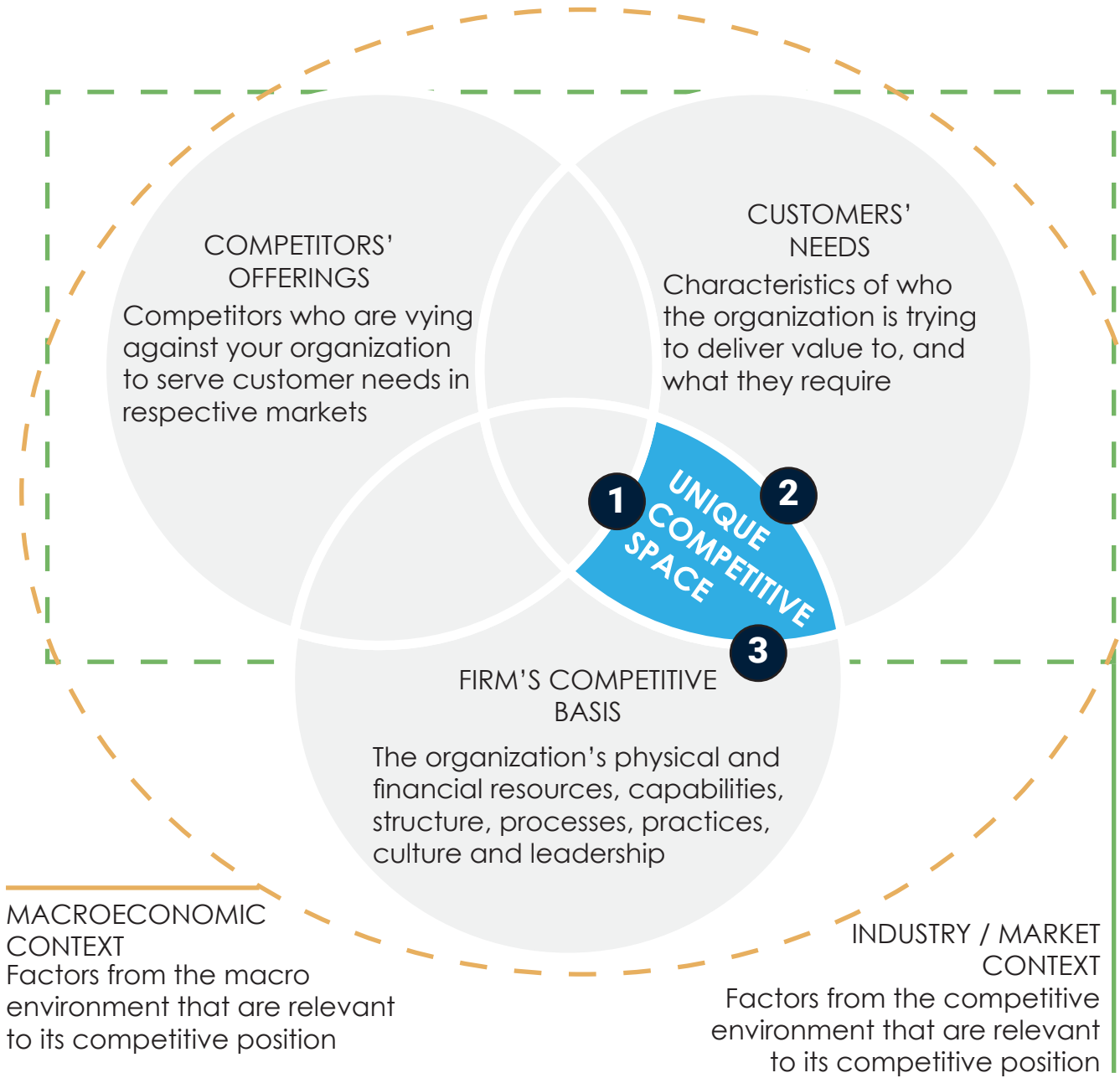
Cost Structure

What are the most important costs inherent in our business model?
Which key resources are most expensive?
Which key activities are most expensive?
Is your business more:
Cost driven (leanest cost structure, low price value proposition, maximum automation, extensive outsourcing)
Value driven (focused on value creation, premium value proposition)
Sample characteristics:
Fixed costs (salaries, rents, utilities)
Variable costs
Economies of scale/scope

Revenue Streams

For what value are our customers really willing to pay?
For what do they currently pay?
How are they currently paying?
How would they prefer to pay?
How much does each Revenue Stream contribute to overall revenue?
Categories to consider:
Revenue type - asset sale, usage fee, subscription fee, licensing, leasing, advertising, etc
Fixed pricing - list price, product feature dependent, customer segment dependent, etc
Dynamic pricing - negotiation, yield management, etc





Boundary 1: Interface to Competition

Who are our competitors now?
 Who might they be in the near future?
 What is their offering and how is it changing?
 How do customers perceive their offering?

Boundary 2: Interface to Customers

Who are our customers?
 What are their needs and how are these changing?
 Why do customers choose us?
 Where have we failed in meeting needs?

Boundary 3: Firm-Internal Threshold

What are our most critical capabilities?
 How are these helping us achieve competitive advantage?
 To what extent can we mobilize resources?
 Where are we falling behind?



For each activity in the value chain, consider:

- How does this activity add profitability or promote growth?
- How do we do this differently to competitors, and do we have an advantage in this activity?
- How are we working to improve this activity, is it a priority?

