

Course: Business Model Innovations

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# Introduction to Business Model Innovation

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# What is Business

- A business is usually defined as a commercial enterprise
- Some are run by only one person who carry out all of the required functions
- Others employ thousands of people and provide goods and services to people all over the world
- Each business can be defined or described by its type of ownership, the goods produced or services offered, the types of jobs provided, or the functions it performs in a community



# What do Businesses do?

- **Businesses are started by entrepreneurs who see a need, recognize the opportunity, and go into business to meet that need**
- **Business and people need each other – there are many stakeholders – we depend on businesses for products and services, but also for employment**
- **Buy inputs – raw materials, labour, machinery and equipment, and land**
- **Produce outputs – goods and services**
- **Focus on efficient use of resources**
- **Generate profit/surplus**

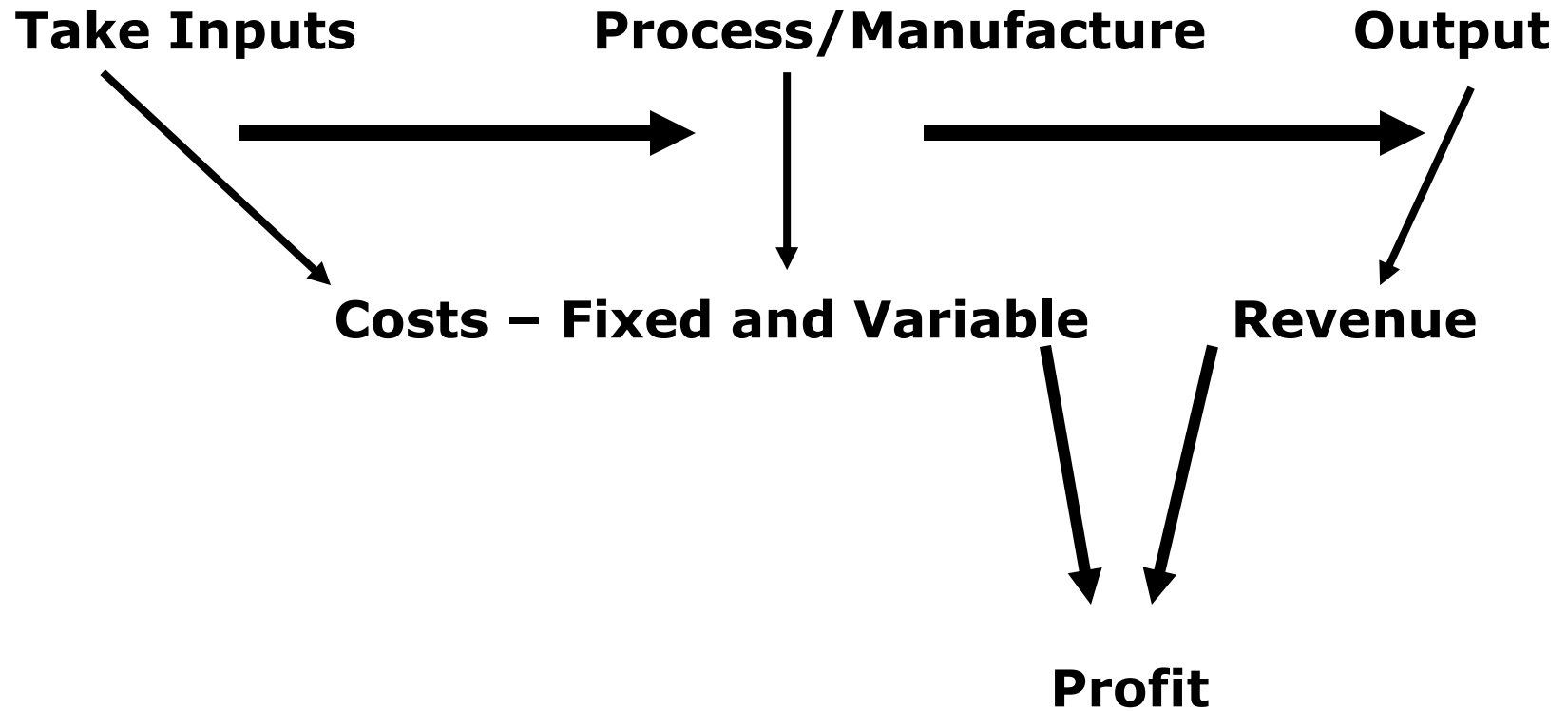


# What Businesses Do

- Who are the stakeholders? – Anyone who has an interest in the success of a business
  - Customers
  - Managers
  - Employees
  - Owners
  - Local Community/Environment
  - Suppliers
  - Government
  - Creditors



# What Businesses Do



# Industry

- A group of businesses that all produce similar products is called an industry

**Example:** Automobile manufacturers and automobile parts is the Automobile Industry

- Separated into three categories – primary, secondary, and tertiary



# Industry

## Primary Industry

- Those involved in the first stage of development of products
- Harvest natural resources that are later used to manufacture products
- Mining, fishing, agriculture, forestry, and oil and gas extraction are all primary industries
- Large amounts of money is needed for research, equipment and machinery
- Automation reduces the need for labour

# Industry

## Secondary Industry

- Manufacture raw materials into finished products
- Gold and silver ores are refined and made into jewellery
- Crude oil is refined into machine oil, gasoline, and plastics
- Wheat is milled into flour and baked into breads and cookies
- Technology innovations has led to automation with computer assisted design
- Production is increasing using fewer workers

# Industry

## Tertiary Industry

- Provide services to consumers and other businesses
- Often involves selling or using products produced by secondary industries
- Tertiary industries are rapidly expanding creating job opportunities in service occupations
- Due to advances in technology (including electronics, communications, and computer science and aerospace), an aging population, busy consumers with less free time, and consumer demand for higher quality services

# Influences on Business



# Marketing



## Market Analysis

- Market Size
- Market Segments

## Marketing Strategy

- Objectives of Business
- Niche versus Mass Marketing
- Marketing Portfolio

## Market Research

- Primary and Secondary

## The Marketing Mix

- Price
- Place
- Promotion
- Product

# Objectives and Strategy



## Legal Structure

- Sole Proprietor
- Partnership
- Corporation

## Business Objectives

- Mission Statements
- Starting Business

## Stakeholders

- Customers
- Suppliers
- Employees
- Communities

## SWOT Analysis

- Strengths, Weaknesses, Opportunities, and Threats

# Human Resources



## Management Structure and Organizational Design

- Top Managers, Middle Managers, Front Line Managers
- Operatives

## Leadership and Management Styles

- Autocratic, Democratic, Laissez-Faire

## Management by Objectives (MBO)

# Human Resources



Motivation

Recruitment and  
Training of Employees

Workforce Planning

Communication

# Production/Operations Management



**Efficiency and Effectiveness**

- Stock and Quality Control
- Capacity Utilization

**Production Methods**

**Economies and Diseconomies of Scale**

# Accounting and Finance



Profit and Loss

Break Even Point

Balance Sheet

Budgeting

Revenue

# External Influences



## Market Structure

- Perfect Competition
- Monopoly
- Imperfect Competition
- Oligopoly

## The Macro-Economy

- Business Cycles
- Government Objectives and Policies

## The Legal Environment (The Law)

## Social Responsibility

## Business Ethics

## Business model: Definition

A **business model** describes how an idea will create value.

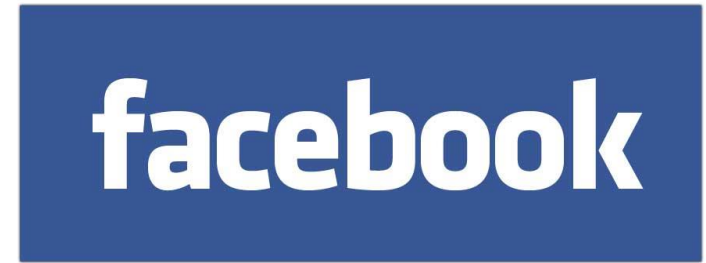
# How do they make money?



Product &  
service  
sales



Subscription to  
a service



Ad revenue

How do they make money?

**KICKSTARTER**

Commission



Freemium

# Building your business model

You can visualize your business model using a **business model canvas...**

## Key partners

*What external partnerships should you invest in?*

- Mentors?
- Lawyers?
- Distributors?
- Suppliers?

**Key activities**  
*What will your business spend the most time doing?*

Product development?  
Sales? Other?

**Key resources**  
*What will it cost for:*  
Manufacturing?  
Intellectual property?  
Human resources?

## Value proposition

**Customer relationships**  
*What types of interactions will your customers expect to have with you?*

**Channels**  
How will customers find out about you?

How will you get products to them?

**Customer segments**  
*Who are your paying customers?*  
Do you have any non-paying customers?

How large is this group?

Do you have multiple customer segments?

## Cost structure

How much time and money will be required to do this?

## Revenue streams

- How might you make \$ from this?
- What value, other than money, are you hoping to create?

# Adapting the business model canvas

The structure of the business model canvas  
**can be used to develop any idea...**

...even if you aren't planning on turning  
that idea into a business.

# Adapting the Business Model Canvas

By modifying the language of the business model canvas, we can transform it into an **“idea canvas.”**

## Key partners

Who can you ask to invest their time and energy to help you?

- Teachers?
- Peers?
- Parents?
- Subject experts?

**Key activities**  
What specific tasks must you do to get your idea off the ground?

**Key resources**  
What materials should you invest in?

## YOUR IDEA

Project idea

Lesson idea

**Audience relationships**  
What kind of relationships are you trying to build with your audience?

**Channels**  
What are some different ways of presenting your idea?

**Audience segments**  
Who is your idea for?

What are the needs of this group?

Why would they find your idea valuable?

## The cost of your idea

- Time investment
- Which collaborators would be valuable to invest in?
- Material investment

**Thesis statement**

**Hypothesis**

## The value of your idea

- Social value
- Academic value
- Monetary value

Which View Do You Agree  
With?

# The Reality.....

- Creativity Is **Not** Exclusively for 'Elite' People
- It Can be Developed in **All** Persons
- Creativity is a Personal Problem-solving Process of a Non-routine Kind
- It Can be Learned, Practiced & Successfully Applied by all – in **Every** Walk of Life

# Three Components of Creativity

- Domain Relevant Skills
- Creative Processes
- Intrinsic Task Motivation



# Stages in Creative Thought

- Preparation
- Incubation
- Insight
- Evaluation
- Elaboration



- So What Is An Innovation?

# What is Innovation?

- Newness & Adding Value
  - Functional Value: Technology-Driven
  - Symbolic Value (Meaning): Design-Driven
- Degree of Newness:
  - Radical Innovation
  - Incremental Innovation

**Table I**  
Incremental improvement versus radical innovation

Characteristics	Incremental Improvement	Radical Innovation
<b>1. Approach</b>	Collectivism, group efforts, system approach	Rugged individualism, individual ideas and efforts
<b>2. Advantage</b>	Works well in slow-growth areas	Better suited to fast-growth areas
<b>3. Change</b>	Gradual and constant	Abrupt and volatile
<b>4. Effect</b>	Long-term and long-lasting	Short-term but dramatic
<b>5. Effort orientation</b>	People	Technology
<b>6. Evaluation criteria</b>	Process and efforts for better results	Results for profits
<b>7. Involvement</b>	Everybody	Select few "champions"
<b>8. Mode</b>	Maintenance and Improvement	Scrap and rebuild
<b>9. Pace</b>	Small steps	Big steps
<b>10. Practical requirement</b>	Requires little investment but great effort to maintain it	Requires large investment but little effort to maintain it
<b>11. Spark</b>	Conventional know-how and state of the art	Technological breakthroughs, new inventions, new theories
<b>12. Time frame</b>	Continuous and non-radical	Intermittent and non-incremental

Source: Based on Imai (1991, p. 24)

# What is A New Innovation?

- What do you define as **new**?
- Can mean different things to different people
- New to the world (10%)
- New to the firms (20%)
- Additions to existing products/process (26%)
- Improvement and revisions to existing products/process (26%)
- Repositioning (with different purposes) (7%)
  - New to the market (geography + segments)
  - New to the season
- Cost reduction (11%)

(See; Booz, Allen & Hamilton, 1982; Griffin, 1997)

# Reference and source

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