Business Model Transformation

Alliance for Innovation & Transformation
Summer Institute 2018
Our Objectives

Understand business model transformation and why it’s important

Explore new business models for higher education

Have fun!
Roadmap for the Next 3 Days

Day 1
Overview of BIF’s Design Methodology
Shifting Your Lens

Day 2
Understanding the Customer Experience
Designing a Conceptual Business Model:
Create Value

Day 3
Completing the Business Model:
Deliver and Capture Value
Prototyping,
Commercialization, and
Applying to your Context
Transformation Mindsets

FLEXIBLE & UNATTACHED

BIAS TOWARDS ACTION

FUTURE FACING

COLLABORATIVE

GENERATIVE & CREATIVE
BIF’S DESIGN METHODOLOGY

**SHIFT**
3 months
Shifting the organization’s lens enables leaders to see transformational opportunities from the customer’s perspective and translate them into an actionable foundation for design.

**CREATE DELIVER CAPTURE**
Once a customer’s job-to-be-done is identified, we can imagine a new customer experience and begin developing a next practice or business model concept ready to be taken off the whiteboard and into the market for testing.

**CONCEPTUAL DESIGN**
2 months

**PROTOTYPE & TEST**
5 months
With a conceptual next practice or new business model idea ready, a low-fidelity prototype is developed and taken into the market to test iteratively for feasibility and viability in the real world.

**COMMERCIALIZATION**
2 months
With a market-tested minimum viable business model, organizations are in the best position to develop a go-to-market strategy and implementation plan to successfully commercialize next practices and new business models.

**OUR PROCESS IS NOT**
- Designed to tweak your existing business model
- Traditional market research
- Traditional business planning
- Hoping commercial-scale offerings are market ready
- Letting scale and change management questions prevent early exploration

**THE PULL THAT MOST ORGANIZATIONS EXPERIENCE THROUGHOUT THE PROCESS**

**MINIMUM VIABLE BUSINESS MODEL**

**COMMERCIALIZATION PLAN**

**PATH TO MARKET FOR NEXT PRACTICES AND NEW BUSINESS MODELS**
Customer Experience as a Foundation for Design

Conceptual Business Model

Minimum Viable Model

Commercialization Plan

BIF’S DESIGN METHODOLOGY

Shift

Conceptual Design

Prototype & Test

Commercialize

RESULTS IN A

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THIS STEP IS NOT

THIS STEP IS NOT

Conducting traditional market research

Traditional business planning and analysis

Hoping commercial-scale offerings are market ready

Letting scale and change management questions prevent early exploration
Shifting Your Lens

1:00–3:30p
During this session we will:

**OPEN OUR MINDS** to transformation mindsets

See things through a **DIFFERENT LENS**

**PLAY!**
WARM UP

6-Word Stories

Develop a 6-Word Story to describe your dinner experience last night.
Individually, develop a 6-Word Story about your learning intentions for the AFIT Summer Institute

Popcorn share-out
Reflection

- What did you learn by telling a story?
- What meaning was created?
- Were there conflicting stories?
Disruptus!

Disruptus is a brainstorming tool to help you think of new ways to approach a design challenge.
Disruptus!

**TWEAK**
Make the object better with the same use in mind

**TRANSFORM**
Use the object or idea for a different purpose
Reflection

- How did it feel to play?
- What do you notice?
- What was easy and hard?
Playing in Metaphors

Metaphors help you articulate what your current experience is and what your ideal experience would be to help your team align around a shared vision.
Today, the student experience at my institution is like...

Tomorrow, the student experience at my institution could be like...
Bucket of Business Models

If your organization was 

UBER  Zappos com  NIKE  ebay  NETFLIX  KICKSTARTER

how would you move from the current to the future student experience?
Create your team’s “Iconic Brand”

Stay true to your brand over the next three days. Use it as a test against your ideas to ensure you are staying transformative.

Using any of the materials at your table (and your own!) create a representation of your brand. This could be a small model, picture, or words that capture the essence of where your organization is headed.
Shifting Your Lens

Reflection

- What was it like?
- What was new for you?
- What are you excited about for tomorrow?
Understanding the Customer Experience

10:00–12:00p
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Prototyping, Commercialization, and Applying to your Context
During this session we will:

Present the **DESIGN CHALLENGE**

**LISTEN** to the voice of students

Determine the **JOB** that students are trying to solve
Transformation Mindsets

FLEXIBLE & UNATTACHED
BIAS TOWARDS ACTION
FUTURE FACING
COLLABORATIVE
GENERATIVE & CREATIVE
Beginning to Understand your Customer

- **Determine what you want to learn** → **Prepare a Research Plan**
- **Understand who you want to learn about** → **Recruit Customers**
- **Listen to what people have to say** → **Conduct interviews and research activities**
What to do

- Talk to people
- Ask open-ended questions
- Probe deeper
- Look for pain points & missed opportunities
- Learn and explore

What not to do

- Look for validation of your ideas
- Assert your own opinion
- Persuade others
Listen and Observe

- Turn to a partner
- One partner will take out their phone or wallet and describe their experience with it for 2 minutes
- **Listen** for the 2 minutes and then switch
Identifying Insights

Once you have listened to your customers, you need to analyze and synthesize what you have learned and what this means for your design challenge.

Analysis helps organize your data into patterns and synthesis helps lead to the insights of why these are important.

Insights answer the question of “So What?”
ANALYSIS

Finding patterns and themes in the data

SYNTHESIS

Combining these patterns in new and different ways to get to the implications of these patterns
The Job-to-be-Done

“People don’t need a quarter inch drill. They need a quarter inch hole.”

- Theodore Levitt
The Job-to-be-Done

Describes **what the customer is trying to do**

Describes the **fundamental problem a customer is trying to solve**

**Is not a solution**, but points to many possible solutions

There is **no one right Job-to-be-Done**
Our Design Challenge:

How can we transform higher education to better meet the needs of its customers?
What to listen for

**Pains:** Obstacles, difficulties, fears, anxieties

*Ex: I struggle to take my medications*

**Gains:** Motivators, wants, needs, hopes, and dreams

*Ex: I want to manage my illness and feel better*

**Hopes for the Future:** Specific mentions of how things could be different in the future; potential solutions

*Ex: I hope that in 5 years, I can get my medication delivered to my door*
Breakout Activities

Reflect with your team about what you heard (20 min)

Determine potential problems that the customer has and as a group align around one fundamental job they are trying to solve (20 min)

Share your Job-to-be-Done with the other teams (20 min)
Designing a Conceptual Business Model
Create New Value for Customers

1:00 - 3:30p
**Roadmap**

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- Prototyping, Commercialization, and Applying to your Context
During this session we will:

Learn about **BUSINESS MODELS**

Start to **CREATE YOUR OWN** business model

**IMAGINE** a new customer experience
BUSINESS MODEL:
The logic for how an organization creates, delivers, and captures value.

BUSINESS MODEL INNOVATION:
Working in a space adjacent to the current model to explore next practices and new models, and testing them in the real world.
What is business model design?

A problem solving and innovation process that results in new ways to create, deliver, and capture value.

New business model ideas come from a deep understanding of the experiences of the people being served.

It is a generative act. Accelerate change through iteration and experimentation.
A Business Model has 3 Parts

- Create Value
- Deliver Value
- Capture Value
Business Model Innovation Needs to...

Create Value
Something customers want

Deliver Value
You are able to deliver the new experience to customers

Capture Value
The new experience is financially sustainable

Innovation
Random Idea Generator

Think of one word. Write it on a post-it!
Join up with a partner and using your two words:

• Come up with a new invention, product or service
• Give it a name
• Write a pitch for why someone should buy it

...in two minutes!
Creating Value

Create: Bring something into existence

- Imagine a **new** experience for the customer
- **Creative** process - you’re creating, not thinking of scaling!
- Don’t be **constrained** by your current offerings
- Focus on the **whole** experience, not just a single product
Job-to-be-Done → Value Proposition

Value Proposition

The promise to your customer

Short and easy to understand

Describes how you help customers accomplish their Job-to-be-Done

Describes how you create value for your customers

Your Value Proposition is your North Star for Conceptual Design
## Value Proposition Examples

<table>
<thead>
<tr>
<th>BUSINESS INNOVATION FACTORY</th>
<th>I need to explore, test, and commercialize next practices and new business models.</th>
<th>We help make transformation safer and easier to manage for institutional leaders.</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAWNMOWER COMPANY</td>
<td>I want to maintain my home’s curb appeal.</td>
<td>We help you achieve beautiful landscaping.</td>
</tr>
<tr>
<td>FACEBOOK</td>
<td>I want to stay in touch with people I like even though our in-person lives don’t currently intersect.</td>
<td>We provide a way to engage with your own networked community.</td>
</tr>
<tr>
<td>DALLAS WELL-BEING MODEL</td>
<td>I want to improve my family’s well-being.</td>
<td>You want to improve the well-being of your family. We want to help.</td>
</tr>
</tbody>
</table>
Value Proposition

In your teams, you will create a Value Proposition based on the Job-to-be-Done you determined.

______________ promises to _______________________________________.

(your organization)  (inspirational north-star statement)
Imagine a New Customer Experience

Stay Transformational

Think of the Customer

Don’t be Constrained by Today

Put yourself in the Customer’s Shoes

Don’t let scale and change management Weigh you Down
Breakout Activity

Create New Value for the Customer:

**Develop** a Value Proposition and a Concept Summary

**Create** a 3-Stage Experience that fulfills the value proposition and is transformational to the customer experience.

**Share** your new experience with the group.

*Workbook Pages: 11, 12*
Completing the Business Model
Deliver and Capture Value
10:00–12:00p
### Roadmap

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<td>Prototyping, Commercialization, and</td>
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<tr>
<td></td>
<td>Create Value</td>
<td>Applying to your Context</td>
</tr>
</tbody>
</table>
During this session we will:

Consider what you need to deliver and capture value in the experience

Consider the necessary capabilities and financial models for your experience

Complete the business model
Let’s Complete the Business Model

CREATE VALUE

DELIVER VALUE

CAPTURE VALUE
You have determined how you will create value through a new customer experience.

Now you need to figure out what capabilities you will need to deliver the new experience to customers.
Capability: The power to do something

Capabilities enable you to keep your promise to customers.

CAPABILITIES ARE COMPRISED OF

- **Process**: Inputs, activities, and outputs
- **People**: Specific roles and skills
- **Technology**: Any supporting tools
LYNCHPIN CAPABILITIES

Capabilities critical to delivering the new customer experience and fulfilling the value proposition.

Without these, you no longer have the customer experience you imagined.
Lynchpin Capabilities of a Lemonade Stand

Review the capabilities listed on Page 13 of your workbook “Lemonade Stand Capabilities”

At your table, determine which capabilities you think are lynchpin
My lemonade stand needs the ability to...
Let’s Complete the Business Model

CREATE VALUE

DELIVER VALUE

CAPTURE VALUE
Capture Value

- Determine potential revenue streams (who pays and for what)
- Determine significant cost drivers (what's going to cost the most money)
- Ensure financial sustainability of the model
REVENUE STREAMS
Who pays and for what in the experience.

COST DRIVERS
Key costs incurred when operating the new customer experience in its simplest form.
Breakout Activities

Deliver and Capture Value for the Customer:

**Deliver Value:** Identify the 5 top lynchpin capabilities you need to deliver the new experience to customers

**Capture Value:** Brainstorm the most significant revenue streams and costs drivers

**Storytelling:** Share your completed business model to the group
Prototyping and Commercializing a Business Model

1:00-3:15p
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During this session we will:

**Reflect** on completing a new business model

**Prototypes vs. Pilots** and getting to commercialization

**Review** what you’ve learned over the three days and how will this help you in the future
How did that go?
Why Prototype?

Testing your assumptions about the conceptual design
Learn faster, smarter, cheaper, and safer
Rely on customer feedback to iterate
Prototyping 101

What to do

- Iterate
- Gain and act on feedback
- Move fast
- Test how to create, deliver, and capture value

What not to do

- Make assumptions
- Be attached to your ideas
- Take too long
- Test some elements of the model and not others
DESIGN
A Conceptual Model

ANALYZE
How to launch the new model

LAUNCH
The new model to market

TRADITIONAL APPROACH
TRADITIONAL APPROACH

- **DESIGN**
  - A Conceptual Model

- **ANALYZE**
  - How to launch the new model

- **LAUNCH**
  - The new model to market

A NEW APPROACH

- **DESIGN**
  - A Conceptual Model

- **TEST AND ITERATE**
  - Your Conceptual Model in A Prototype

- **QUICKLY DETERMINE**
  - How to Bring your Model to Market

- **LAUNCH**
  - Your new Commercial Offering
Prototyping & Testing is NOT the same as Piloting

**PILOT**

*Building to operationalize* - focus is on scalability

*Production of the full, built out system* ("trying it for real")

*Test how it will be used in the field* and to refine it for widespread use

**PROTOTYPE**

*Building to learn* - focus is on iterating toward a workable model

*Simulation of the full system* at a minimum viability - "what’s the least we need to test this concept?"

*Test the desirability, feasibility, viability* and impact of a concept
Prototyping a business model

What’s Cookin’?
A local, community-owned and operated mobile healthy food and lifestyle experience.

https://vimeo.com/137380502

Your Best You
An incubator for young adults/teens to generate their own community-based solutions and in the process increase their own personal awareness and growth.

https://vimeo.com/137176728
Commercialize and Scale

**Commercialize**: to bring a tested offering to market

**Scale (v)**: to bring an offering to market, with an increasing number of customers and markets served

**Scale (n)**: the number of customers and markets served by a business model
Consider:

How are you going to ensure that you are not selecting the easiest option?

How will you ensure your ideas don’t get watered down to the core?

How are you going to push yourselves to be transformational?

How will you maintain the integrity and essence of your transformative model?

What is the current context and conditions of your organization and the direction it is moving in?
## Strategic Options to Move Forward

<table>
<thead>
<tr>
<th>Not ready to commercialize</th>
<th>Ready to Commercialize</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Harvest Key Learnings</strong></td>
<td><strong>Integrate into the Current Model</strong></td>
</tr>
<tr>
<td>Don’t move your model forward. Use what you learned to make small improvements to the way your business operates today.</td>
<td>Moving to integrate what you’ve learned into the current business but at different levels.</td>
</tr>
<tr>
<td><strong>Continue Prototyping</strong></td>
<td></td>
</tr>
<tr>
<td>Keep prototyping and learning to build your confidence in your decision to move your model to the market.</td>
<td></td>
</tr>
<tr>
<td><strong>Stand-Alone Independent Venture</strong></td>
<td></td>
</tr>
<tr>
<td>The new model lives alone and does not impact the current business model.</td>
<td></td>
</tr>
<tr>
<td>- Sell it</td>
<td></td>
</tr>
<tr>
<td>- Operate it separate from your current business</td>
<td></td>
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</tbody>
</table>
Breakout Activities

Develop a Prototype Plan

Create a New 6 word story: Write down in a new 6 word story what you have learned in the past three days.

How did this change from your original story?

Team Reflection: What are you going to do differently in your organization?
Thank You!