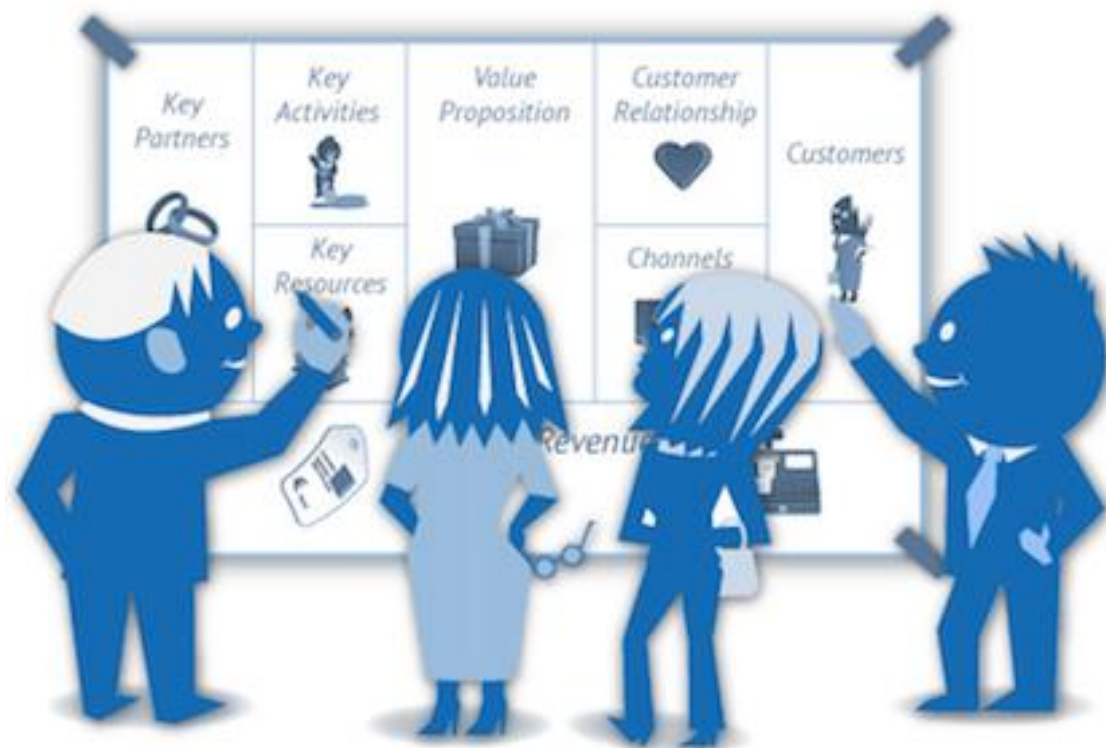


# Business Model Management in the Information Technology Industry

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Syllabus v. 3 for a 2-day workshop



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## Preface

The objective of the workshop “Business Model Management in the Information Technology Industry” is to give information technology professionals a personal toolbox for growing their companies systematically and achieving *global* leadership in their selected market segments.

The workshop will provide frameworks and tools, which the attendees can implement immediately in their personal work and/or across the teams where they operate.

The workshop is facilitated by Hans Peter Bech, a certified business model trainer.

## The purpose and structure of the syllabus

This syllabus is the basis for the workshop and explains the learning objectives, the structure and the content.

## The target audience

The workshop is designed for information technology industry professionals engaged in business development, marketing, sales and other revenue generating activities who wish to take their companies into a higher “growth gear.”

The workshop focuses on designing, improving and optimizing their business models in the information technology industry.

## This workshop versus Osterwalder’s Business Model Master Class

The information technology industry is characterized by invisible products and services where the value is highly situational and depends, in the main, on the customer’s ability to manage change.

## Examples:

- The same Customer Relationship Management system (CRM) may have immense value for one company and be a disaster for another company. The value of the CRM system completely depends on the customer’s ability to implement the technology so that it supports the business processes and are used systematically by the all the staff involved with revenue generation.
- Content Management Systems (CMS) are often available at no cost to the user, but that doesn’t mean that all websites are equally effective. The effectiveness of web sites is entirely related to their relevance, communication strategy, technical implementation, quality of the content and the on-going maintenance and improvement. Although the underlying information technology is critical for building and maintaining effective web sites there are many other disciplines that must be mastered to achieve value from the investment.
- Personal information technology tools such a Word, Excel, Scrivener, Outlook etc. can be extremely powerful and improve personal

productivity enormously, but only if the user is willing to invest in learning how to use the tools. Although the price is the same for everyone, the value varies tremendously depending on the ability to take advantage of the technology.

This workshop is designed exclusively for information technology industry professionals and uses industry specific cases and examples highlighting the challenges illustrated above.

Instructors running this workshop have all attended the Business Model Master Class offered by Alexander Osterwalder and are using the business model approach in their daily consulting engagements in the information technology industry.

Information technology professionals who have participated in the Business Model Master Class offered by Alexander Osterwalder can also benefit from participating in this workshop.

#### **Course participant prerequisites**

The workshop and learning of the syllabus assumes general knowledge of and some experience with sales and marketing of information technology. The workshop also assumes experience with general business financial concepts such as revenue, cost of goods sold (COGS), operational expenses (OPEX), capital expenses (CAPEX) and return on investment considerations (RoI).

Reading the “Business Model Generation” by Alexander Osterwalder & Yves Pigneur is not a pre-requisite but will certainly be an advantage.

## Agenda

### Day 1

Time	Agenda item
<b>08:00</b>	Arrival, coffee and registration
<b>08:30</b>	Welcome, objectives and agenda review
<b>09:00</b>	What is a business model? Why do we need a business model?
<b>10:30</b>	Break
<b>11:00</b>	The business model front office <ul style="list-style-type: none"> <li>▪ Value proposition and customer segments</li> </ul>
<b>12:30</b>	Lunch
<b>13:30</b>	The business model front office <ul style="list-style-type: none"> <li>▪ Channels (find, win and make)</li> <li>▪ Customer relationships (keep and grow)</li> </ul>
<b>15:00</b>	Break
<b>15:30</b>	The business model back office <ul style="list-style-type: none"> <li>▪ Key activities</li> <li>▪ Key resources</li> <li>▪ Key relationships</li> </ul>
<b>17:00</b>	End of day

### Day 2

Time	Agenda item
<b>08:30</b>	Arrival, coffee
<b>09:00</b>	The business model P&L <ul style="list-style-type: none"> <li>▪ Revenue streams</li> <li>▪ Capital and operational expenses</li> </ul>
<b>10:30</b>	Break
<b>11:00</b>	The business model environment <ul style="list-style-type: none"> <li>▪ Industry forces</li> <li>▪ Market forces</li> </ul>
<b>12:30</b>	Lunch
<b>13:30</b>	The business model environment <ul style="list-style-type: none"> <li>▪ Macro-economic forces</li> <li>▪ Key trends</li> </ul>
<b>15:00</b>	Break
<b>15:30</b>	Making business models operational. Relationship with traditional strategy concepts and business plans <ul style="list-style-type: none"> <li>▪ Testing your business model</li> <li>▪ How to start and maintain a business model process in your company</li> </ul>
<b>16:30</b>	End of day

## What is a “Business Model?”

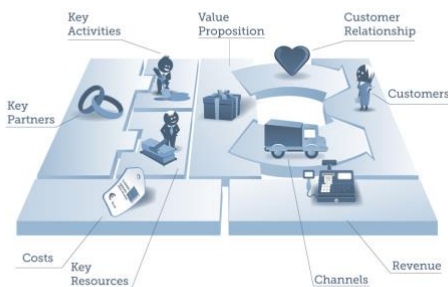
In this module we will introduce and review the basic concept of the business model as defined by Alexander Osterwalder.

Today’s markets are not conquered with excellent products, but with excellent business models. The statement, “Build it, and they will come” unfortunately doesn’t apply to the vast majority of companies in the information technology industry.

Any company has a business model, but they are not all excellent, and one of the main reasons for the poor performance is the lack of a companywide vocabulary and framework for discussing the challenges with the model.

The term “business model” was coined in the late 1990’s where start-ups without any track record were seeking funding for their ideas for web-based businesses that they believed had a gigantic future potential. Before that potential could be captured large investments in R&D and marketing were required. The business model was the explanation of how visitors to a website or subscribers of a free service could be converted into paying customers and eventually provide a profit for the company and a return for their investors.

The big challenge with the term “business model” was that there was no common understanding of what it meant and what it included. People were discussing business models based on their personal perception of what it meant, making it hard to keep the discussions on track, even harder to come to any decisive conclusions and almost impossible to document the models and communicate them to others.



Since publishing the book “Business Model Generation” in 2010 Alexander Osterwalder has been setting the standards for what a business model is and what it takes to develop, document and test business models.

### Learning objectives

After completing this module, the attendees will understand the fundamental basics of the Alexander Osterwalder business model framework and understand why and how to manage the development of a business using this approach.

## The Business Model “Front/Back Office”

The business model has a “front office” and a “back office.”

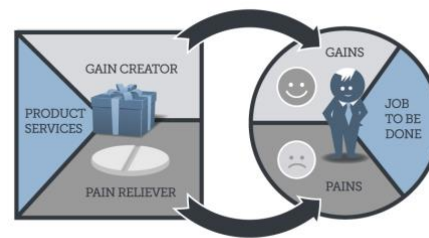
## The Front Office

The “front office” consists of the building blocks directly facing the customers and are concerned with identifying the most productive ways for finding, winning, making, keeping and growing happy customers.

### Front Office: Customer Value Proposition and Market Segmentation

A customer value proposition is the most fundamental element in any information technology business model.

The customer value proposition explains how customers get value from the product/service offered. The customer value proposition justifies the investment needed to acquire and implement the solution and justifies why this product/service is better than the alternatives available.



While most product/service combinations will have a much higher value for a certain type of customers than for others, customer value propositions typically include a market segmentation element<sup>1</sup>. An information technology company must always first target those segments where the perceived or documented value is the highest.

We introduce the value proposition canvas developed by Alexander Osterwalder to facilitate the development of customer value propositions for our chosen market segments. Based on this framework information technology companies can continue the refinement of their own value propositions and validate these value propositions with customers in the field.

The information technology customer value proposition typically includes a generic part, which is used for market positioning and segmentation purposes and a customer specific part, which is determined in the individual sales project. For highly customizable capital-intensive information technology solutions the individual portion of the value proposition is crucial for winning deals and market shares.

### Learning objectives

After completing this module, the attendees will understand the two most important business model “front-office” building blocks: Value propositions and customer segments. They will have undertaken exercises on how to apply the value proposition canvas in real life information technology business cases.

### Front Office: “Channels” and “Customer Relationships”

In this module we will review the two business model building blocks tying our value proposition to our customers.

<sup>1</sup> Only very few products can serve all markets and only very few companies can afford to address all market segments at the same time.





While the “channels” building block is focused on finding, winning and making happy customers, the “customer relationship” building block is focused on keeping customers happy and expanding the relationship.

As indirect channels have such a dominant position in the information technology industry we will explore the impact of this approach on the other business model building blocks.

We will apply the concepts on some typical information technology business cases.

### Learning objectives

After completing this module, the attendees will understand the concepts of channels to market and customer relationships that together explain how businesses find, win, make, keep and grow happy customers. The attendees will be familiar with the fundamental differences between the direct go-to-market approach and the indirect go-to-market approach through independent distributors and as well as simple and value-added resellers.

### The Back Office

The “back office” consists of the building blocks enabling us to develop, produce, provide and market our products and services to the customers in a competitive format.

### Back Office: Key Activities

In order to successfully find, win, make, keep and grow happy customers we need to undertake certain activities that are specific for our business model.



While development is always a key activity most other activities in the information technology industry are related to sales, marketing and support, while manufacturing and logistics only are issues for the hardware part of the information technology industry.

Given that the effects of networking often pay off in the information technology industry and given the possibilities for creating self-supporting eco-systems, designing business models that take advantage of these immense

growth opportunities where third parties assume responsibility for activities supporting our business model will be discussed.

In this module we will explore how information technology business cases could develop into business models with massive growth opportunity.



### Learning objectives

After completing this module, the attendees will understand how to identify and describe the type of activities that are required to drive the business model.

### Back Office: Key Resources

The activities required to drive our business model dictates the types of resources we must apply in the “back office.”

Resources are divided into four categories:

1. Physical
2. Intellectual
3. Human
4. Financial

Yet again the information technology industry is very different from most other industries.

Information technology companies seldom<sup>2</sup> need to invest in physical assets, while resources such as manufacturing, storage and logistics infrastructure do not play any role at all.



On the other hand, intellectual and human resources are critical as the products are mostly invisible and their value is directly related to how the customers perceive and apply them.

In this module we will review the typical key resources of information technology business cases.

### Learning objectives

After completing this module, the attendees will understand how to define and estimate the resources required for driving the business model, including the critical resources required for growing the business model across international borders.

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<sup>2</sup> Hardware companies do have to make substantial investments in prototypes, skills and systems to manage outsourced manufacturing facilities.

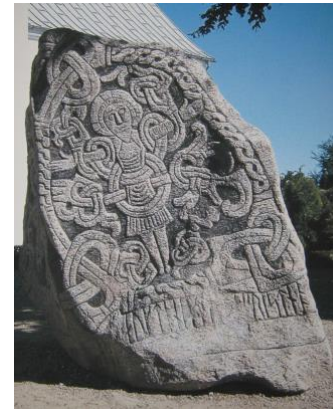
## Back Office: Key Partnerships

Except for hardware companies, information technology companies seldom require many strategic partnerships.

In this module we will review the key partnerships required in typical information technology business cases.

### Learning objectives

After completing this module, the attendees will understand if, when and what type of strategic partnerships are required. The attendees will also understand when channel partners are strategic and when they are not.



## The Business Model Profit and Loss (P&L)

A business model describes the rationale of how an organization creates, delivers and captures value.

In the information technology industry, where people around the world get the same ideas at the same time and where the barriers for market entry are very low, companies must develop business models that scale incredibly fast. A successful business model must produce growth exceeding market average



growth rates and produce solid profitability to sustain the momentum and secure long-term survival.

In this module we will identify, qualify and estimate the revenue streams generated by the “front office” and the corresponding expense streams generated by the “back office.”

The P&L of most ventures are always characterized by fairly predictable expense streams and highly unpredictable revenue streams. We will therefore look at ways to simulate revenue and cost and discuss how to test our assumptions in the real world before executing in large scale.

### Learning objectives

After completing this module, the attendees will understand the P&L concept of the business model and how to do sanity checks on their assumptions before venturing into full-scale implementation.

## The Business Model Environment

Any company can be described using this framework consisting of 9 building blocks with the business model being under our full control:

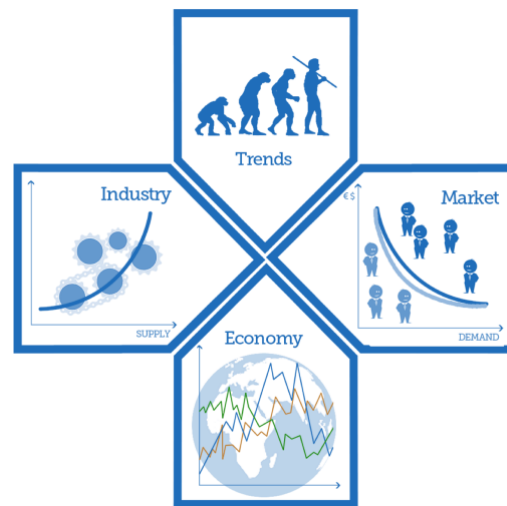
- We define and design our own value propositions
- We can choose those target market segments that are the best match for this value proposition,
- We choose our channels and
- We choose which relationships we want to build and maintain with our customers.

However, the business model deals exclusively with the company and its' customers. What about competition, the political constraints, the technology trends etc.? What we do not control is all the **white space** around the business model. We call this space the business model environment.

Your company cannot change the external factors, but what you can take advantage of or suffer from are dealt with in the business model environment.

The business model environment is divided into four areas:

- Industry Forces
- Market Forces
- Macro-Economic Forces
- Key Trends



We will review each of the four areas and demonstrate how you can incorporate the analysis of the impact of these external factors into your business model management praxis.

### Learning objectives

After completing this module, the attendees will be familiar with the elements of the business model environment and understand how to analyse the impact on the business model.

### Turning theory into praxis

Osterwalder's Business Model framework is extremely lean and operational. It is designed to enable teams of people to execute projects based on a common perception of means and objectives.

However, adding yellow stickers to a poster on the wall doesn't change the world.

The business model framework provides a structured and iterative learning process where the experience from reality can be compared with the business model blue print. Adjustments and changes can be applied to the business model and implemented in the daily operations.



In this module we will review how we turn the business model operational.

We will review the relationship between the business model and the traditional strategic concepts such as mission, vision, objectives, strategy, plans and values. We will discuss the relationship between the business model and the business plan.

### Learning objectives

After completing this module, the attendees will understand how to apply the business model framework in their on-going operations and use it to continuously optimize their business.

## Testing our Business Models

Each and every company has a business model.

However, not every company may be conscious about what this model actually looks like. And in companies with no common business model framework each person will have his/her individual perception and interpretation.



Simplicity is one of the great benefits of the Osterwalder approach. It has the potential to provide the vocabulary and the framework for an intelligent business discussion in any team. It takes the business strategy discussion from the “blah, blah, blah” level applied in most companies to a specific discussion on objectives, means and environment.

A good business model will produce more value to customers than the alternatives available and it will scale faster with less cost than the industry peers.

In this module we will discuss how we can test and improve our business model by reviewing 8 areas that characterize strong business models.

### Learning objectives

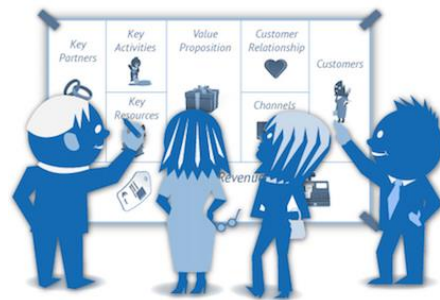
After completing this module, the attendees will understand how to test and improve their business model.

## Business model management in the information technology industry

In this last module we will provide the format for running business model management processes in your own company.

We will discuss how you can organize the workshops in-house and we will review the tools that are readily available to run these workshops.

We will discuss whom you should invite to your business model workshop and how you document and show progress on your business model driven business plan.



### Learning objectives

After completing this module, you should be ready to apply the business model management approach in your own business.