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STRATEGIC HR

- *Business Modeling to Increase Strategic HR Business Acumen*



The Really Good News!

- The HR profession is awesome!
- HR people are awesome!
- YOU and I are awesome!

The Really Bad News!

- Not everyone agrees with us!
- HR is often seen as:
 - ▶ **NON-STRATEGIC**
 - ▶ Non-analytical
 - ▶ Lacking real business acumen



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The New Reality

- Successful organizations are becoming more adaptive, resilient, quick to change direction and customer-centered.
- To guarantee our viability and ability to contribute, HR managers need to take steps to become strategic partners.



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Strategic Leadership



Hank Jackson, Former CEO, SHRM

“Being strategic is not reserved for C-suite executives. It does not come with an office or job title. In fact, the pace and nature of business today means we need more strategic thinkers at every level, across every function—including HR.”



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Strategic Leadership

■ Two thirds of corporate executives believe a lack of business skills or business acumen prevents their company from meeting critical strategic objectives



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Today's Objectives

- Define the meaning of business acumen
- Explain why business acumen is important to HR professionals.
- Explain the components of a business model.
- Demonstrate how business modeling can be used to increase business acumen.



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Business Acumen?

- Sometimes referred to as commercial acumen or business skills
- An overall BIG picture and understanding of the business and its relationships
- A thorough understanding of what drives profitability and cash flow



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SHRM BoCK Definition

- Behavioral Competency #3 - Business Acumen
 - ▶ The ability to understand and apply information with which to contribute to the organization's strategic plan



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4 Critical Competencies

■ Strategic Perspective

- ▶ An understanding of the business; the critical interdependencies across functions and divisions; the short- and long-term trade-offs of decisions.

■ Financial Acumen

- ▶ Comprehensive understanding of what drives profitability and cash flow



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4 Critical Competencies

■ Market Orientation

- ▶ Deep understanding of external environment
- ▶ Strategic or “helicopter” perspective

■ Leadership and Collaboration

- ▶ The ability to successfully execute strategy through others; create alignment, a positive mindset and build capability in people; and collaborate effectively with others.



Why is It Important?

- Helps us to effectively communicate with all functional areas in the organization.
- Gives us vision, or the ability to devise strategies to remain one step ahead of competitors.
- Gives us the ability to see how the decisions we make affect other departments within the organization.



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How Do We Get It?

- Go Get An MBA!
- Read a lot of books!
- Find a Mentor in the C-Suite



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The Perfect Solution

BECOME AN EXPERT AT
BUSINESS MODELING!

www.thetriantgroup.com

■ “If I had asked my customers what they wanted, they would have told me ‘a faster horse.’”

- Henry Ford





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Business Modeling

- A schematic or blueprint for how a strategy is to be implemented through an organization's
 - ▶ structures
 - ▶ processes
 - ▶ systems
- A visual representation of how an organization creates, delivers, and captures value.



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What is Value?

■ Value is whatever you determine it to be:

- ▷ Quantitative or Qualitative
 - ▷ profit
 - ▷ good will
 - ▷ memberships
 - ▷ visibility

Nine Components

- Consist of:
 1. Customer Segments
 2. Value Proposition(s)
 3. Channels
 4. Customer Relationships
 5. Revenue Streams
 6. Key Resources
 7. Key Activities
 8. Key Partnerships
 9. Cost Structure



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Customer Segments

- The different groups or organizations that you aim to reach and serve.
 - ▶ Comprise the heart of the business model.
 - ▶ Should be the central focus of all activity
 - ▶ Typically grouped by common attributes such as customer needs and behaviors.

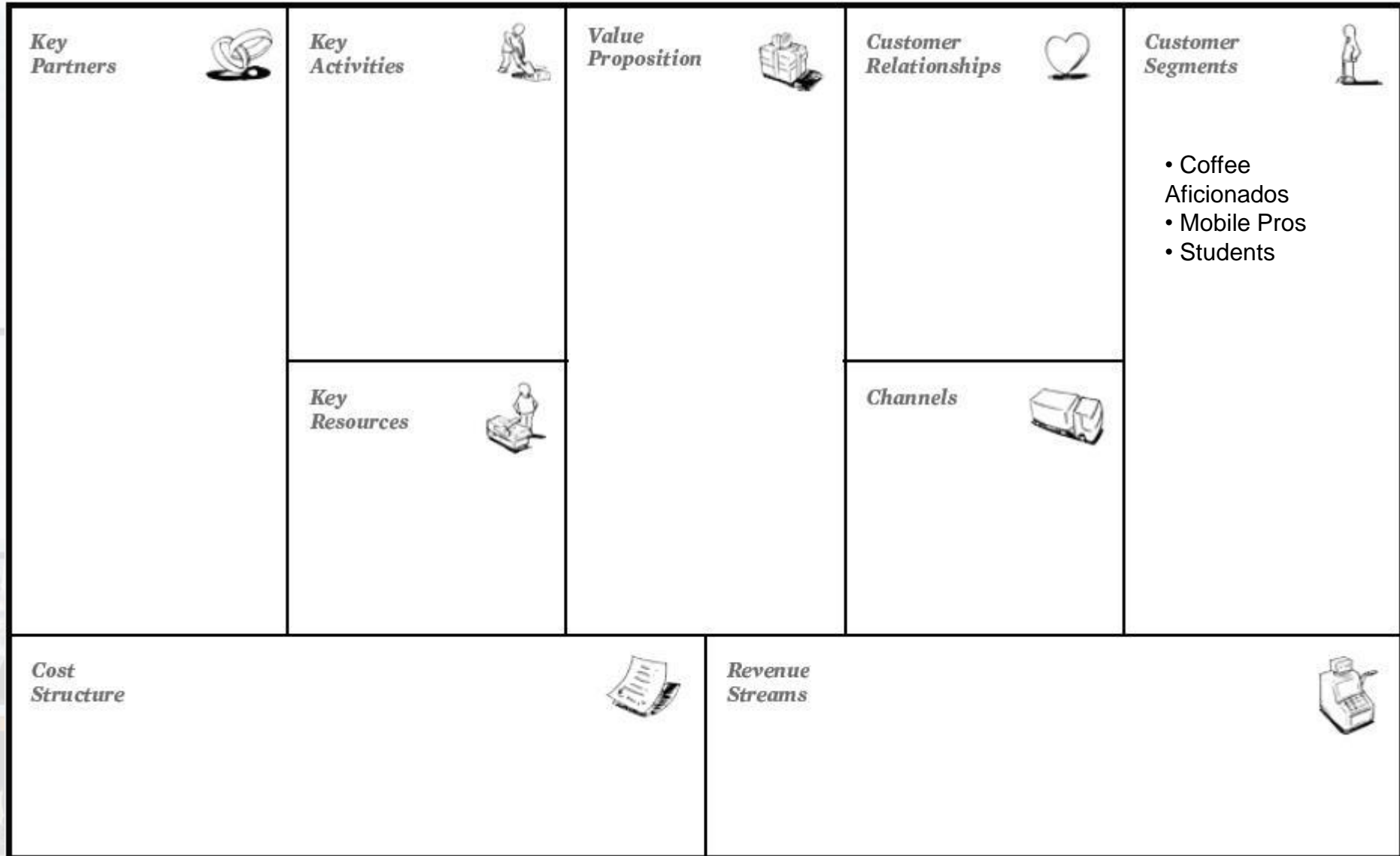


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Key Segment Questions

- For whom are we creating value?
- Who are our most important customers?

Starbucks Coffee Business Model





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Value Propositions

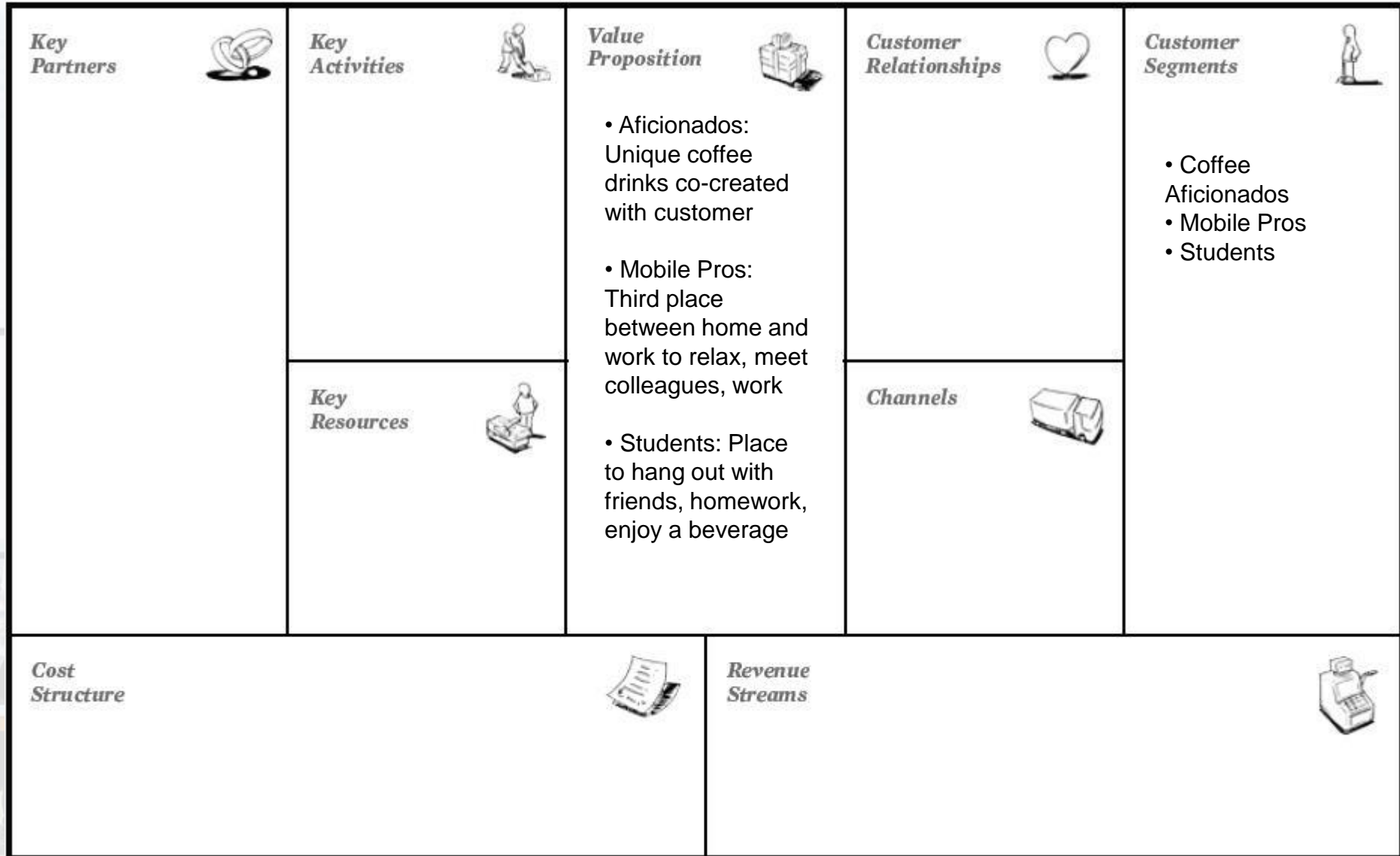
- The reason why customers turn to one company/organization over another
- The bundle of goods and services (benefits) that create value for a specific customer segment
 - ▶ Solves a customer problem or satisfies a customer need.
 - ▶ Ex. Burger King vs. McDonald's



Value Proposition Questions

- What value do we deliver to the customer
- Which of our customer's problems are we helping to solve?
- What bundle of products and services are we offering to each segment?
- Which customers needs are we satisfying?

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Channels

- How the company/organization communicates with and reaches its customer segments to deliver value.
 - ▶ Communication Channels
 - ▶ Distribution Channels
 - ▶ Sales Channels

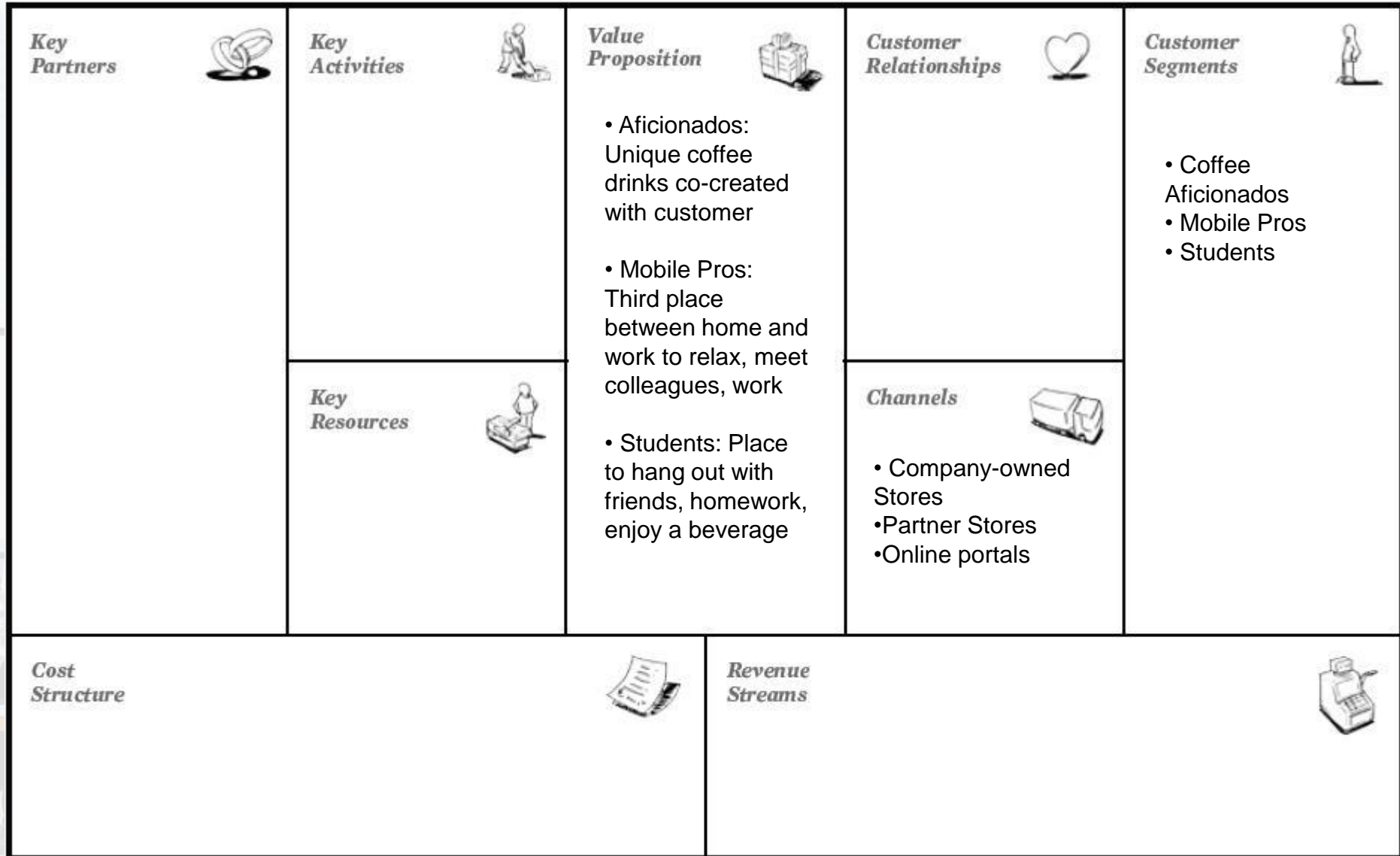


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Channel Questions

- Through which channels do our customers want to be reached?
- How are we reaching them now?
- How are our channels integrated?
- Which ones work best?
- Which ones are most cost-efficient?
- How costly are they?

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Customer Relationships

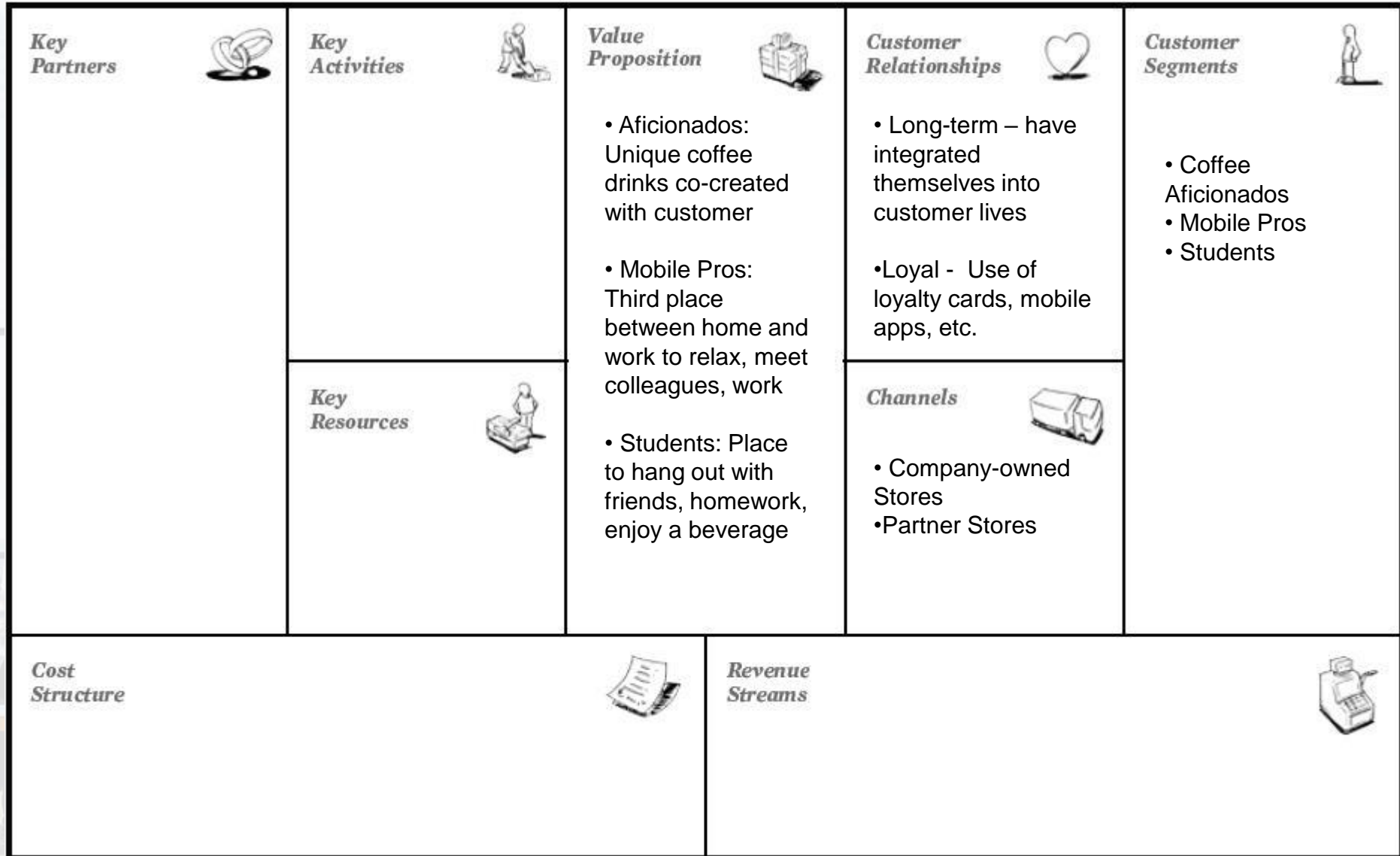
- The types of relationships a company/organization establishes with a specific customer segment.
 - ▶ Should clarify the type of relationship you want with each customer segment



Customer Relationship Questions

- What type of relationship do each of our customer segments expect
- Which relationships have we established?
- How are they integrated with the rest of our business model?
- How costly are they?

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Revenue Streams

- If customers are the heart of the business model then revenue streams are the arteries.
- The return that a company generates from each customer segment.
 - ▶ Can be measured in different ways:
 - ▶ Quantitative – cash, membership income
 - ▶ Qualitative – Affiliations, referrals, goodwill












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Revenue Questions

- For what value are our customers really willing to pay?
- For what are they currently paying?
- How are they currently paying?
- How would they prefer to pay?
- How much does each revenue stream contribute to overall revenues?

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<p>Key Partners</p> 	<p>Key Activities</p> 	<p>Value Proposition</p>  <ul style="list-style-type: none"> • Aficionados: Unique coffee drinks co-created with customer • Mobile Pros: Third place between home and work to relax, meet colleagues, work 	<p>Customer Relationships</p>  <ul style="list-style-type: none"> • Long-term – have integrated themselves into customer lives •Loyal - Use of loyalty cards, mobile apps, etc. 	<p>Customer Segments</p>  <ul style="list-style-type: none"> • Coffee Aficionados • Mobile Pros • Students
	<p>Key Resources</p> 	<ul style="list-style-type: none"> • Students: Place to hang out with friends, homework, enjoy a beverage 	<p>Channels</p>  <ul style="list-style-type: none"> • Company-owned Stores •Partner Stores 	
<p>Cost Structure</p> 		<p>Revenue Streams</p>  <ul style="list-style-type: none"> • In-store retail sales of coffee, tea, & pastries • On-line sales of instant coffee 		

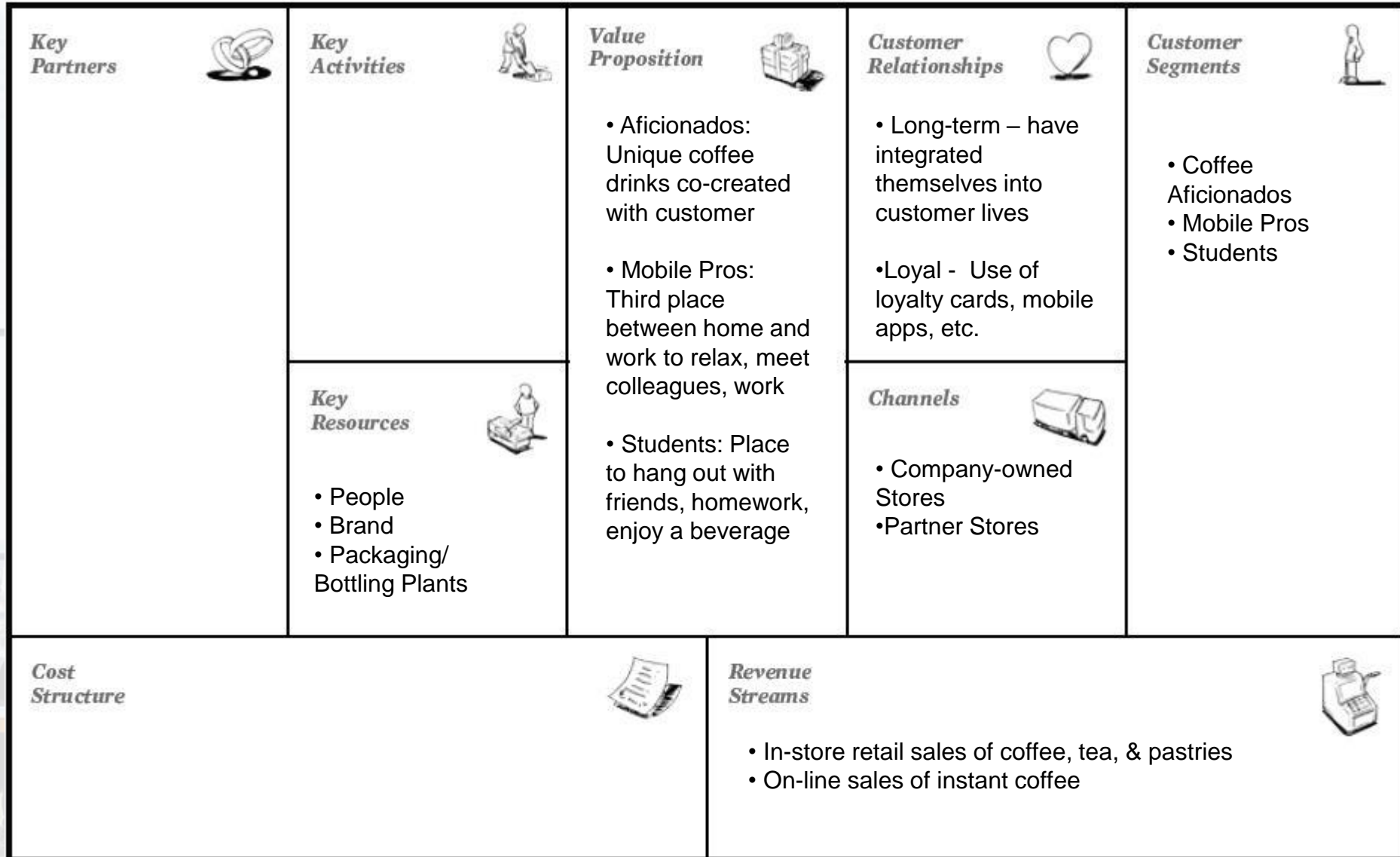
Key Resources

- The critical resources that allow an organization to create and offer a value proposition
- Key resources can be:
 - ▷ Physical
 - ▷ Financial
 - ▷ Intellectual
 - ▷ human

Key Resource Questions

- What key resources do our value propositions require?
 - ▶ Our Distribution Channels
 - ▶ Customer Relationships
 - ▶ Customer Segments
 - ▶ Revenue Streams?

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Key Activities

- The most important actions that a company must undertake to create and offer a value proposition
- Activities differ depending on the business and business model type
- Categories include:
 - ▶ Production
 - ▶ Problem Solving
 - ▶ Platform/Network












Key Activities Questions

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- What key activities do our value propositions require?
 - ▶ Our distribution channels?
 - ▶ Customer relationships?
 - ▶ Revenue streams?

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<p>Key Partners</p> 	<p>Key Activities</p>  <ul style="list-style-type: none"> • Marketing • Research & Development • Efficient supply chain management 	<p>Value Proposition</p>  <ul style="list-style-type: none"> • Aficionados: Unique coffee drinks co-created with customer • Mobile Pros: Third place between home and work to relax, meet colleagues, work • Students: Place to hang out with friends, homework, enjoy a beverage 	<p>Customer Relationships</p>  <ul style="list-style-type: none"> • Long-term – have integrated themselves into customer lives • Loyal - Use of loyalty cards, mobile apps, etc. 	<p>Customer Segments</p>  <ul style="list-style-type: none"> • Coffee Aficionados • Mobile Pros • Students
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<p>Key Resources</p>  <ul style="list-style-type: none"> • People • Brand • Packaging/Bottling Plants 	<p>Channels</p>  <ul style="list-style-type: none"> • Company-owned Stores • Partner Stores 			



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Key Partnerships










- The network of suppliers and partners that make the business model work.
- Partnerships are needed to:
 - ▶ Optimize performance
 - ▶ Reduce risk and uncertainty
 - ▶ Acquire resources

Key Partnership Questions

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- Who are our key partners?
- Who are our key suppliers?
- Which key resources are we acquiring from partners?
- Which key activities do partners perform?

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<p>Key Partners</p>  <ul style="list-style-type: none"> • Coffee Growers Worldwide • Specialized Coffee Machine Makers 	<p>Key Activities</p>  <ul style="list-style-type: none"> • Marketing • Research & Development • Efficient supply chain management 	<p>Value Proposition</p>  <ul style="list-style-type: none"> • Aficionados: Unique coffee drinks co-created with customer • Mobile Pros: Third place between home and work to relax, meet colleagues, work • Students: Place to hang out with friends, homework, enjoy a beverage 	<p>Customer Relationships</p>  <ul style="list-style-type: none"> • Long-term – have integrated themselves into customer lives •Loyal - Use of loyalty cards, mobile apps, etc. 	<p>Customer Segments</p>  <ul style="list-style-type: none"> • Coffee Aficionados • Mobile Pros • Students
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Cost Structure

- Consist of all costs incurred to operate a business model
- Can be calculated by defining:
 - Key resources needed
 - Key Activities required
 - Key Partnerships desired

Cost Structure Questions

- What are the most important costs inherent in our business model?
- Which key resources are most expensive
- Which key activities are most expensive?

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<p>Cost Structure </p> <ul style="list-style-type: none"> • Coffee & Milk • Rent in Prime Locations • Research & Development • People Costs, ex. Health care for part-time employee 			<p>Revenue Streams </p> <ul style="list-style-type: none"> • In-store retail sales of coffee, tea, & pastries • On-line sales of instant coffee 	



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A Powerful Tool

- Ensures that you understand your customers
- Know what they need
- Focus on the right activities
- Have the resources and distribution channels to deliver them
- A template for designing an internal HR function that meets your organization's needs

Increases Value Proposition

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- Provides the business acumen necessary to:
 - ▶ Become successful strategic business partners
 - ▶ Help HR staff think like business people
 - ▶ Helps HR to UNDERSTAND their business
 - ▶ Be accountable and responsible for cost reductions and the measurement of all HR programs and processes
 - ▶ Be viewed as relevant to the long-term success of the business

■ Questions?



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