



**ARE YOU THE ARCHITECT OF YOUR ORGANISATION'S
BUSINESS MODEL?**

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Leadership at the helm of your organisation is much more than efficient operational management. If you are accountable for the sustainability, relevance or ongoing profitability of your organisation, then you need to know and understand your organisation's business model. To be successful as an organisation leader, you need to play the role of business model architect.

Architecting the organisation's business model needs to be an active process, rather than a once off event. The organisation leader needs to continually review the positioning of the organisation in relation to its changing operating environment, and effect necessary and appropriate adjustments to ensure that it is optimally positioned over time. This is an ongoing process of finessing the design, and when necessary, engaging in a more substantial redesign.

Many organisation leaders do not understand how to engage in the critical, strategic role of shaping and optimising the organisation's business model. The pressure of attending to operational activities, and the need to promptly address current demands, too often keep senior leadership from focusing on the job of steering the organisation successfully into an uncertain future. Organisation leaders who are too operationally involved may miss the strategic signals necessitating a repositioning, a new business cycle, or a radical redesign of the organisation's business model.

One reason for an over-focus on operational issues is a lack of understanding of what constitutes the organisation's business model. It is an elusive concept, not easy to define in absolute terms, because there are so many variables that could be considered relevant to the definition. The business model is like an octopus with tentacles – it has many legs, and is often all too invisible, blending in to its environment.

What are some of the elements that are relevant to the organisation's business model? They include target customers; products and services;

channels of engagement with customers; branding and positioning in the market; processes and technologies; geographic presence; staffing and structure; institutionalised knowledge and expertise; and stakeholder management. This is not an exhaustive list. Other elements that facilitate the organisation being effective in its operating environment may also be relevant constituent parts to the business model

The organisation leader as architect needs to consider all the key elements of the business model, and along with a critical assessment of timing, must be ready to adjust those elements when necessary to optimise the organisation's positioning.

Another important way for the organisation leader to fulfil the role of strategic architect is to look for gaps. In a world of constant change, gaps are always emerging. There are always likely to be internal-external gaps in today's operating environment, which may exist between the organisation's current positioning and customers' changing needs. There are also gaps to be found between where the organisation is today and where it aspires to go. Indeed, if leadership does not have an aspirational future view for the organisation, a vision that inspires stakeholders, then there is a danger of complacency. In competitive environments, complacency, or an unwillingness to adapt, change and grow, will be the most likely cause of organisation failure.

Looking for gaps is a crucial leadership role that strengthens the business model. If we don't see any gaps, our competitors may be ahead of us. If we don't see any gaps, we are not able to renew ourselves. If we don't see any gaps, we may be out of touch with the changing needs of our customers.

A business model that is resilient will specifically accentuate the areas of distinctive competency within the organisation. Distinctive competencies are those areas of institutionalised strength or capability within the organisation where the organisation is better than any of its competitors, or is uniquely

placed in its offer or its positioning. The leader as architect needs to leverage, communicate and promote these distinctive competencies in the organisation's business model.

Areas of distinctive competency that form a part of the business model are worthy of a significant share of the organisation's limited resources, to ensure that they are maintained and even enhanced as distinctive competencies for the organisation.

At its essence, the business model can be captured by answering three related questions, the answers to which form a basic definition of the business. The questions, also depicted in Figure 1, below, are as follows:

1. Who are your target customers?
2. Which of their needs do you strive to meet?
3. With what products, services, processes and technologies?

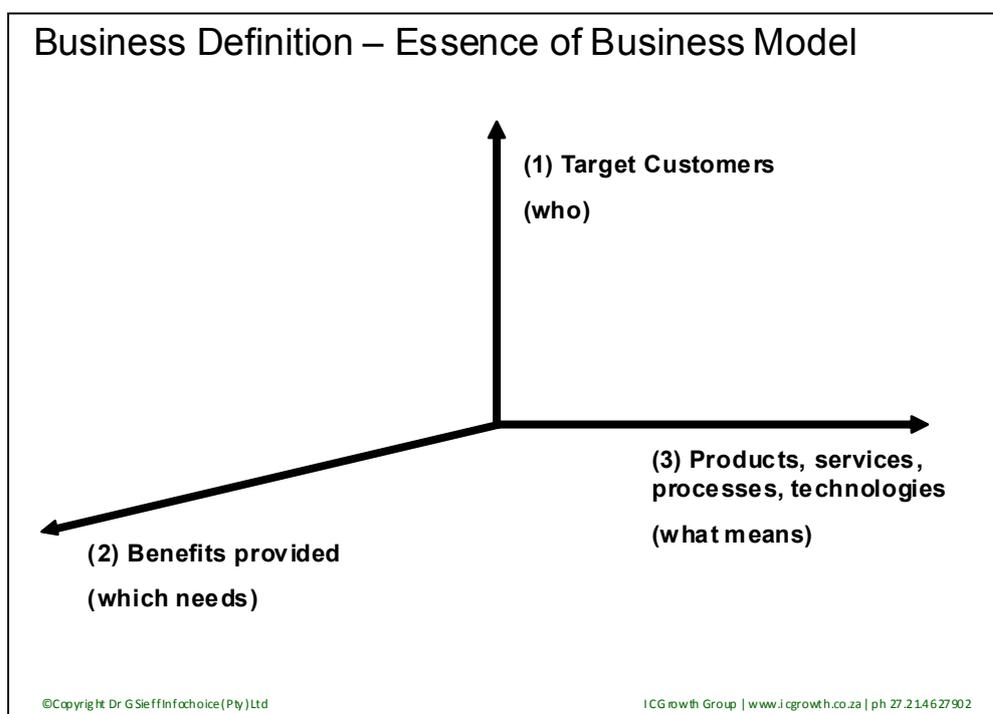


Figure 1

What are the dangers of not defining, and constantly refining your organisation's business model? There are many. They include not knowing who your competitors are, not knowing what your customers want most from you, not recognising and exploiting the inherent strengths within the organisation, and not positioning the business to best realise potential.

The business model must be dynamic, to be relevant in a changing world. The job of leadership is both to focus and refine the business model, and to remove what is redundant and a drain on resources.

To establish how effective the organisation's business model is at any point in time, consider two simple questions: How well is the organisation able to lock competitors out? How well is the organisation able to lock customers in? These questions address the sustainability and relevance of the organisation. By refining the business model to keep competitors at bay and customers delighted on an ongoing basis, in a constantly changing world, by actively architecting the business model, the organisation leader truly fulfils the role of captain at the helm.

About the author

Dr Grant Sieff is CEO of the IC Growth Group, a research, strategy and leadership development consultancy. He teaches at leading business schools as a visiting professor and senior lecturer. Grant has worked as a vice-president for Citibank in Australia and a partner for Accenture. He consults to leaders at the top levels of organisations across African continent and abroad.

IC Growth Group (icgrowth.co.za) has initiated an Africa-based research, market insight and strategy development online portal, dedicated to development and growth in Africa (africamarketinsight.co.za). Grant can be contacted at grant@icgrowth.co.za or on +2721 462 7902.