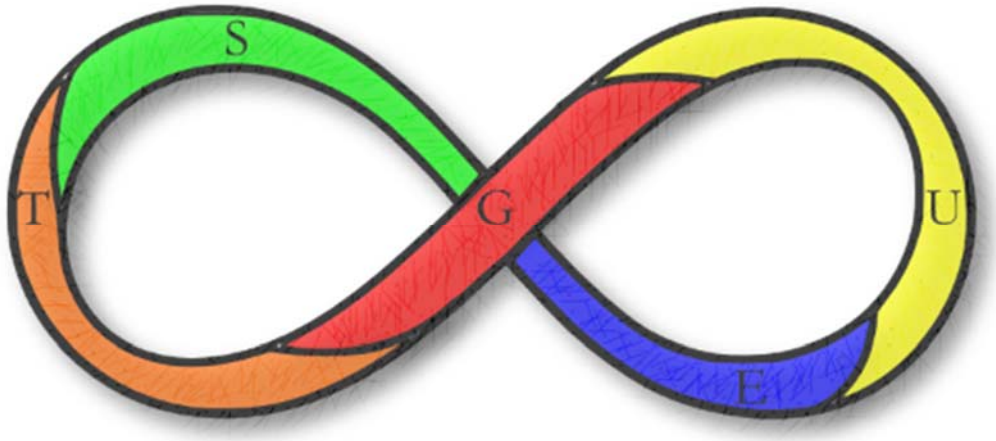


# The GUEST Methodology

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# 1 GUEST

The GUEST methodology has been developed by a pool of researchers from the Politecnico di Torino. GUEST aims to provide companies with an innovative framework for business management.

Based on the analysis of start-ups and SME's, the environment they operate in, and on the analysis of current state of the art methodologies, the aim of this publication is to develop a new comprehensive framework to guide different actors implicated in the decision making process and at the same time, reduce the time to implement their plans and evaluate their outcomes.

This new methodology should be easy to understand and applicable to the entire decision making process, in order to increase efficiency and improve quality for companies.

Following these considerations, the GUEST methodology was created, articulated in five easy steps (Go, Uniform, Evaluate, Solve, Test).

The GUEST methodology controls the process, from the original idea to its implementation, and provides a conceptual and practical tool to the various stakeholders, enabling them to communicate their vision, difficulties and opportunities within the same structure.

Every step of this methodology allows the actors to monitor their projects and, at the same time, grants the standardization of documents and tools that should be used to evaluate ideas, successes, actions and results.

Tools and documentation are simple to understand and easy to use. This facilitates the involvement of people with different backgrounds and/or limited business knowledge. Furthermore, GUEST tools and documents are implemented through a multi-channel system, not exclusively digitally. For this reason, the methodology can also be applied to organizations with different levels of information technology.

The standardization of tools and documents provided allows to build a basic understanding of the MACS which is being evaluated and to outline a record of previous actions, facilitating internal benchmark.

Below the five steps of the GUEST methodology are briefly introduced:

1. GO: the word 'Go' was chosen to emphasize that 'the researcher has to be on the premises' to be able to fully understand the system, the actors and their interactions. The goal of this phase is to establish a first contact with the company, to prospect and initiate the collection of basic information which will be used to evaluate the potential of the project;

2. UNIFORM: the second step of the methodology is called 'Uniform' because its goal is to standardize the information collected during the first phase, with greater detail. The knowledge of the system must be tested in a standard way, with the purpose of obtaining a shared vision of the MACS. In particular, in this phase, the researcher has to understand the business model and the type of governance;

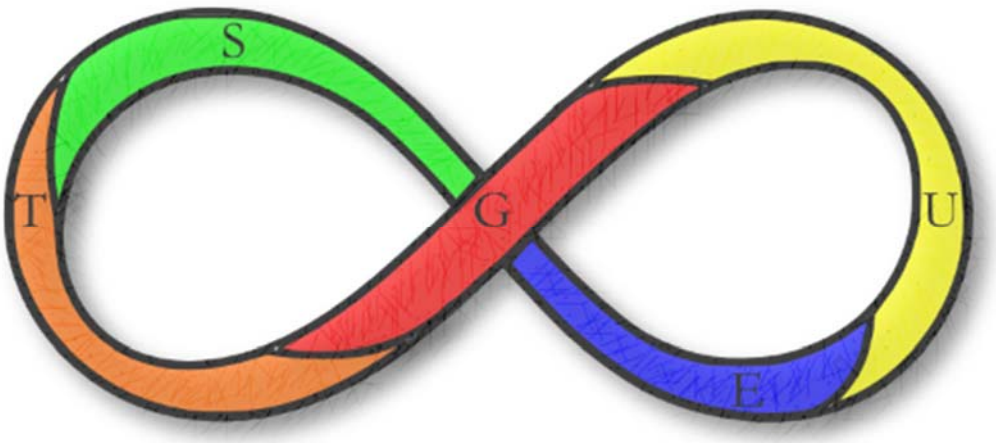
3. EVALUATE: The third step of the methodology is the first truly operational step. Its goal is to assess the company's current state by analyzing the results of the previous steps and start troubleshooting and/or developing opportunities. In order to evaluate the success of the initiative, the entire costs and revenues structure is described. Finally, a series of challenges and opportunities are identified for which action plans are elaborated, as well as KPIs to measure their efficacy.

4. SOLVE: In the fourth step, given the action plans, the researcher suggests a variety of operational models, inspired by management, Operations Research and ICT solutions. This phase's goal is to analyze in detail the solutions to the problems previously identified.

5. TEST: The last phase entails a follow up on the action plans, their actual implementation and the evaluation of their outcomes. In addition, these outcomes are shared, according to the plan of results.

Test is the last step of the methodology. However, this phase may be the new starting point for the application of the methodology itself in the perspective of continuous improvement.

Therefore, every step of GUEST supports decision makers in the definition and implementation of their projects, thanks to standardized documents and tools useful to evaluate their ideas, goals and actions. Every step of the methodology allows to build a solid knowledge of the process which is being evaluated, making comparisons between all possible solutions easy.




The GUEST methodology standardizes all the tools used in the process of coaching a PMI developing a new business or launching a startup. However, it is not sufficient to standardize tools and documents, in fact, it is also necessary to standardize the application process of the methodology itself. For this reason, it was decided to build a tool to monitor and evaluate the overall process.

In particular, it is essential to monitor two main elements from the process's point of view which are:

- Resources

For the creation of a monitoring tool, it was decided to take inspiration from the Kanban method of Lean Production.

*Kan* means 'visual' while *Ban* means 'signal'. Kanban is based on instruction cards allowing production, purchasing and handling of material.

## 1.1 Kanban

Kanban is a technique to manage the flow of information inside the company and eventually between the company and its suppliers. This system contributes to simplify production planning, reducing waste by avoiding overproduction.

Kanban has been adapted in order to suit process control.

The workflow of the Process Kanban is divided in 5 phases:

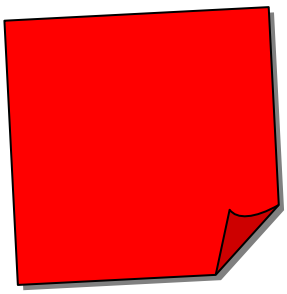
1. Backlog queue: overdue activities that must enter the 'to do' phase with priority;
2. To do: activities to be performed with priority;
3. WIP: activities in progress;
4. Done: completed activities which need to be approved by the Project Manager;
5. Sent: approved activities, ready to be sent to the client.

The traditional Kanban makes use of special instruction cards with the necessary specifications according to the activities; in the case of Process Kanban for the GUEST methodology, the cards are replaced by standardized post-it:

- The color of the post-it corresponds to one of the GUEST phases;
- The information contained in the post-it includes:

1. Activity;
2. Beginning and ending date of the activity;
3. Resource responsible for the activity.

G



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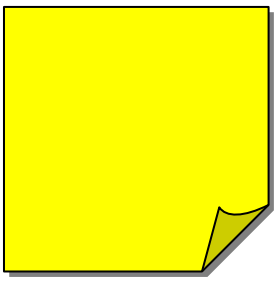

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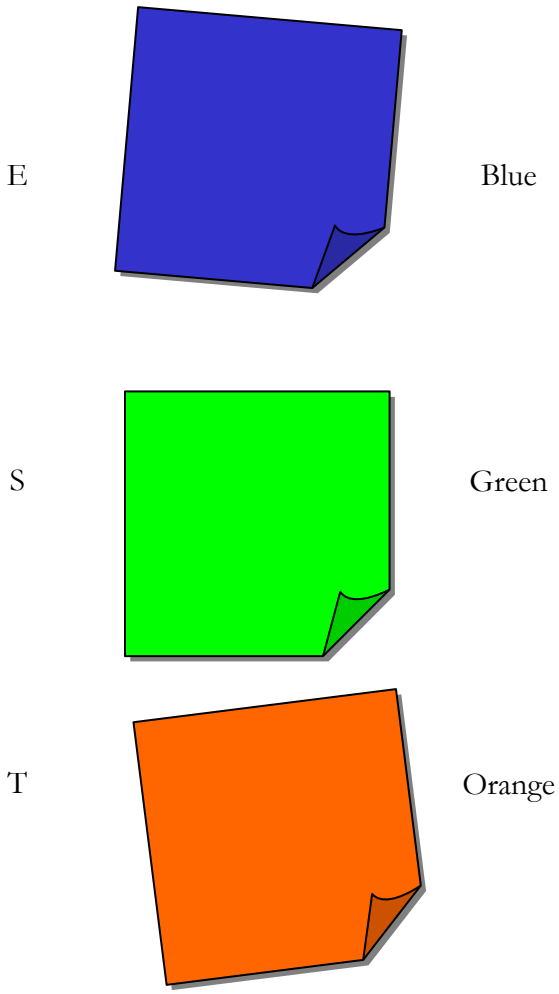



**FIGURE 1: KANBAN STANDARDIZED POST-IT**

Thanks to this operational tool, the company's activities will be managed independently and in a standardized manner, and it will be possible to oversee at all times the progress of each project and of the entire business.

The daily activities will be managed independently by each team member, allowing timely resolution of problems and facilitating the implementation of system improvements.

In addition, having an overview of each project's progress allows the detection of critical internal problems common to all projects, which would not be identified otherwise.

Finally, the main advantage of the Process Kanban is to provide the Project Manager with a comprehensive overview of the company's progress, reducing waste in several instances:

- Progress meetings will be superfluous, since all information concerning the projects' statuses is contained in the Process Kanban. Saved time can be devoted to discuss and solve problems encountered;

- An overview of the entire business activity can emphasize the synergies between projects, and save time and resources for the management of operations;

- Because every member of the team receives information concerning the status of projects outside of his scope, there is the opportunity for everyone to contribute with suggestions or insights useful to the project of a colleague.

Proper communication by the Project Manager is critical in order to apply the methodology accurately.

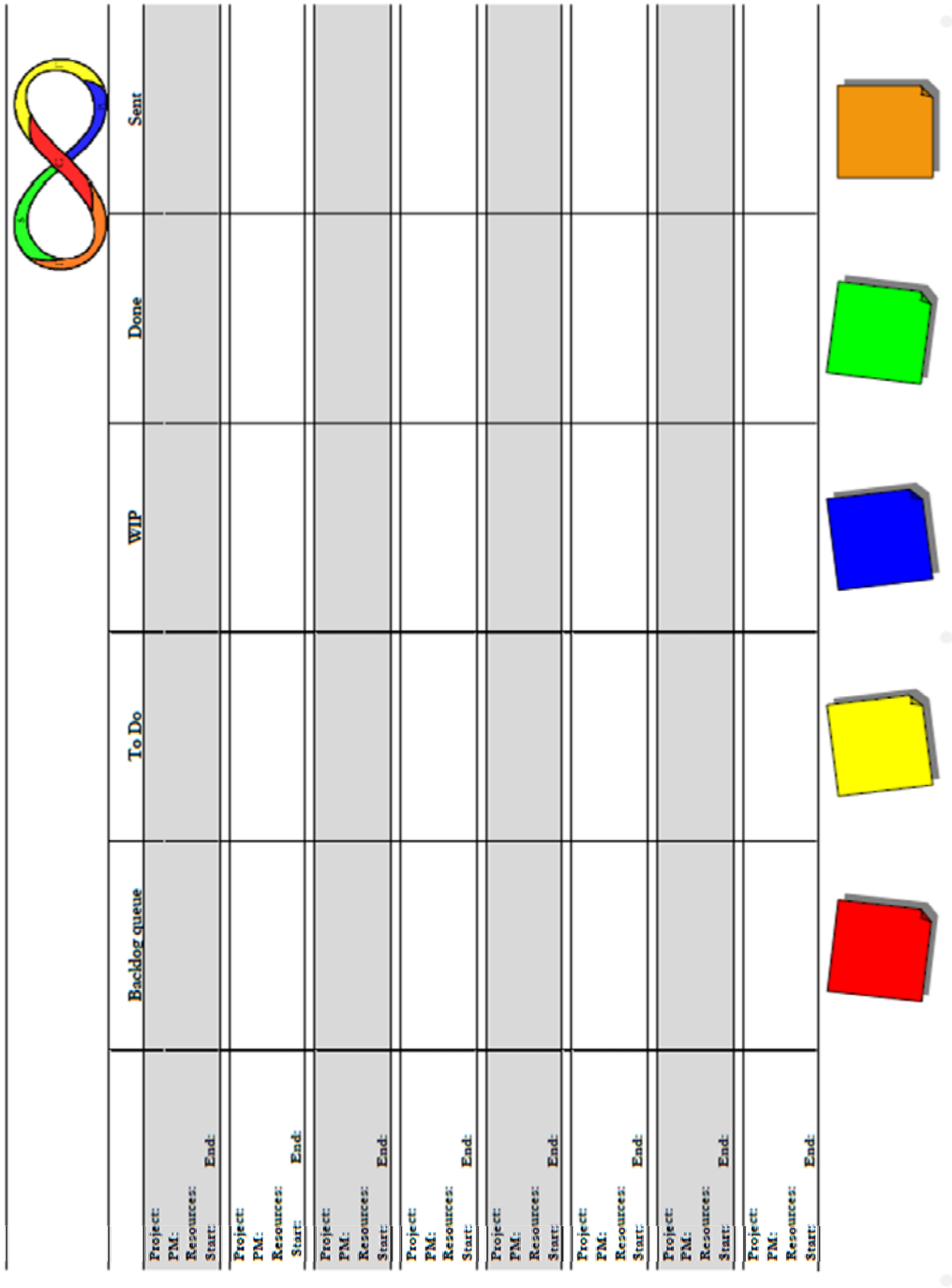



FIGURE 2: PROCESS KANBAN

Otherwise, it would be impossible to fully appreciate the benefits of the methodology itself.

However, to achieve a thoroughly systematic and well-structured business control, the Process Kanban is not enough, indeed a Project Kanban is necessary for every single project.

The Project Kanban has the same basic structure of the Process Kanban, but it's specific to a single project. It requires a higher level of detail, because each 'State' of Kanban will include both tasks and sub-tasks relevant to each stage of the GUEST methodology.

The layout and color of the Post-its is the same as in the Process Kanban.

The advantage of the Project Kanban is to provide a constant monitoring of a certain project which can also be shared with the client. In this way, regardless of the results achieved, the client will have the feeling that the company operates in a continuous and structured manner. This is very important especially in the case of commercial projects, for which the result is sometimes influenced by forces beyond the control of the consultant, possibly resulting in the client's dissatisfaction.

To conclude, these two instruments make it possible to have a complete overview of the business and a detailed knowledge of each project, with the ability to monitor the following parameters:

- Average time of client acquisition;
- Average time of start-up phase of an operating activity;
- Average time of project management;
- Monitoring of the activity of each resource involved in a project;
- Monitoring and evaluating the performance of each team member;
- Ability to compare the progress of projects in the same scope or with similar characteristics.

This will make it possible to improve not only the performance of the client companies, but also to optimize the operational management of the consulting company.

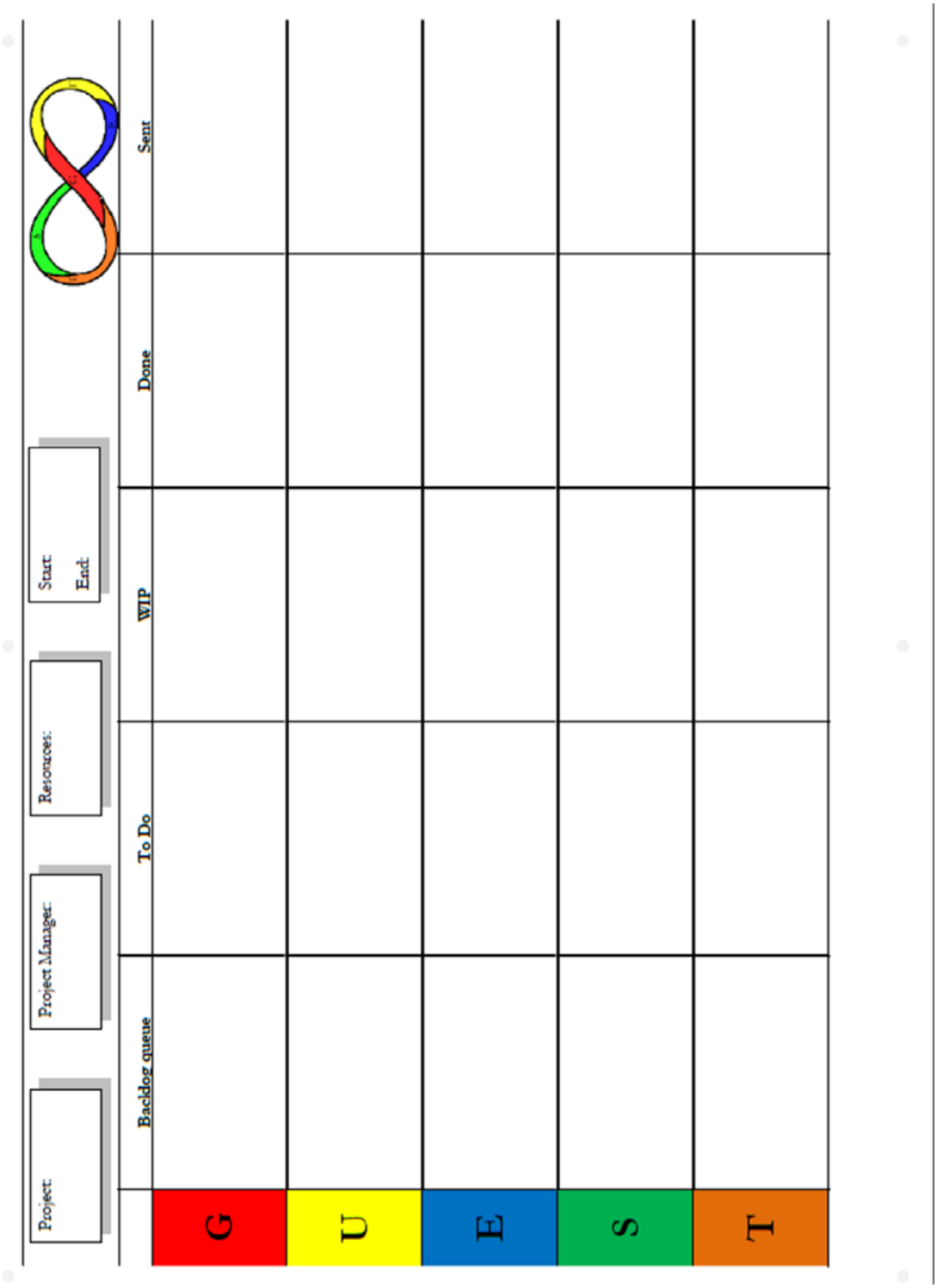



FIGURE 3: PROJECT KANBAN

# 2 Go

This chapter illustrates the first step of the GUEST methodology, named 'Go' phase.

This phase's goal is to establish a connection with the client company and to build a base of knowledge upon which to develop the cooperation between the client company and the consultant.

For this purpose a standardized questionnaire is used to gather data, mainly qualitative, concerning the company and the environment in which it operates.

The questionnaire is administered face-to-face and therefore requires a meeting with the company owner, the project manager, and other people involved in the project. This is crucial because the researcher is required to evaluate the answers given, by considering the client's awareness, his preparation and the level of detail of the information provided.

The outcome of the 'Go' phase will be a formal description of the company from both the client's and the consultant's point of view.

The following are the essential steps of this first phase:

1. Sending a contact request to the company owner or the project manager.
2. Meeting with the prospecting client and administering the questionnaire. The timing will be subjected to the personal evaluation of the consultant, who will decide whether to administer the questionnaire during the first meeting or whether to establish a specific date for the completion of the questionnaire. This aspect will depend on the characteristics of the client's company.
3. Sharing both questionnaires (the Client's and the Consultant's) with the work team to analyze the data which has been collected.
4. Scheduling a second meeting with the prospecting client to illustrate the questionnaire's results.

## 2.1 GO Questionnaire

This section describes the process that led to the elaboration of the questionnaire and, later, its different sections.

As previously mentioned, the purpose of the questionnaire is to establish a knowledge base of the company's business useful for setting the work that will be implemented later.

The questionnaire is a reasoned merging of BMC and the Manual for SMEs Basel II and it is divided in two sections which include both closed and open-ended questions.

The Manual for SMEs Basel II aims to provide guidelines helpful to SMEs in order to analyze and assess their situation before addressing a financial institution, following the recommendations introduced by the Basel Accord II and in compliance with the directives of the EU. The guidelines contained in the manual were found to be perfectly in line with the objectives of the 'Go' phase and, therefore, have been regarded as a benchmark in drafting the document.

The 'Go' questionnaire is articulated in 7 sections:

1. **General Information**. The purpose of this section is to outline the corporate identity and to obtain a global picture of the company. It's important for the Prospect to engage in self-evaluation of his views, his goals and the environment in which he operates in order to depict a correct evaluation of the company and its current situation setting the next steps effectively.

2. **Activities.** The purpose of this section is to detail the information gathered during the previous step, outlining the company's activity, the management's goals and their feasibility, the core business vs the supporting activities of the company, and their territorial scope.

3. **Commercial Information**. This section aims to gather commercial information, such as the existence of a structured commercial office, the type of commercial network, the distribution channels and the evaluation of commercial goals, if any. It was decided to introduce a section focused on the commercial aspect because, especially in the case of start-ups, often there happens to be a fully functional product or service which no one has the ability or necessary knowledge to bring to the market.

4. **Customers**. The purpose of this section is to gather information about the customers: the number of customers and/or the company's turnover, their geographical distribution, the existence of opportunity to grow customer loyalty or any threats that could cause a loss of customers.

5. **Suppliers**. This section aims to evaluate the company's network of suppliers and their bargaining power. This is necessary because, as previously mentioned, when considering the environment as a MACS, all the possible interactions between the various actors in the system must be taken into account.

6. **Competitors**. The goal of this section is to gather information about the company's competitors and to evaluate the market in terms of entry and exit barriers.

7. **Evaluation.** The final section of the GO questionnaire consists in a general evaluation of the business made by the client: he is prompted to express a judgment on the quality of the product or service offered, on its level of innovation and the quality of the relationships entertained with the company's suppliers and customers, with the intention to test the client's knowledge of his own business.

The 'Go' questionnaire must be completed by both the Client and the Consultant: in fact, there are two slightly different questionnaires.

The basic structure of the questionnaires is the same. The only difference is that the consultant's version contains a *Likert scale* with which he can evaluate the responses from the Prospect. The Likert scale is an odd scale with ascending values from 1 to 5, where each value corresponds to the following: 1 = strongly disagree, 2 = disagree, 3 = uncertain, 4 = agree, 5 = strongly agree. The evaluation takes into account the spontaneity and the preparation of the interviewee and takes place during the meeting between researcher and client. The other part will be filled in later by the researcher following an analysis of the reference market conducted retrospectively. This will allow him to formalize the information provided by the client with the addition of external data.

In the following chapter each of the seven sections of the Go questionnaire is analyzed in detail.

### 2.1.1 General information

As previously mentioned, the first section of the questionnaire has the purpose to outline a global picture of the company and the environment in which it operates.

Specifically, the section includes 3 open questions (see Table 1: Go questionnaire - General Information) to allow the customer to speak spontaneously, without any guidelines that could distort his answers. This also helps the researcher to verify the preparation of his interlocutor on the business subject.

Question 1 on company description is very generic and therefore useful to frame the main issue.

Question 2 about the 'need' satisfied by the company is crucial to build the Value Proposition that will be described in the Business Model Canvas and provide information on the level of diversification or specialization of the business.

Question 3 on the relevant market allows to gather information to use in the Evaluate phase for the Social Business Network, a graphical representation of the MACS which includes all actors and decision-makers of the system and their interconnections.

**TABLE 1: GO QUESTIONNAIRE – GENERAL INFORMATION**

| GO QUESTIONNAIRE – GENERAL INFORMATION | |
|---|---|
| **Describe your company** | |
| **Describe the need fulfilled by your company** | |
| **Describe your relevant market** | |

### 2.1.2 Activity

This section of the questionnaire aims to collect more detailed information about the business' operations which will be used later in drafting the Business Model Canvas.

There are two closed questions while all the others are open. (See Table 2: GO Questionnaire – Activities).

Question 1 and question 2 are useful to evaluate the company's strategy. This requires the definition of business objectives and how they should be achieved. These objectives may be reconsidered and reformulated during the Evaluate phase, in accordance with the implementation of the strategy.

The last questions in this section are useful to assess the clarity and coherence of the company's strategy since, especially in SMEs, its not unusual to lose focus on the core activity, often due to the structural weakness of the organization.

**TABLE 2: GO QUESTIONNAIRE - ACTIVITY**

| GO QUESTIONNARE – ACTIVITY | |
|---|---|
| **Define your objectives** | |
| **Define your core business** | |
| **Describe your opportunities** | |
| **Describe the geographic extension of your company** | - Regional<br>- National<br>- European<br>- Extra-European |
| **Define which activities you outsource** | |
| **Describe your competitive advantage** | - Dimensions<br>- Technologies<br>- Innovations<br>- Raw materials<br>- Brand<br>- Marketing/commercial<br>- Design<br>- HR<br>- Finance<br>- Leadership<br>- Differentiation<br>- Niche market |

### 2.1.3 Commercial

This section is entirely dedicated to the commercial characteristics of the company since fairly often SMEs lack a solid structure in this department, due to several factors. In many cases, human resources are not sufficient in terms of number or qualifications, or there is a lack of economic budget and time devoted to the commercial department.

There are eight questions in this section, four of which are close-ended and have been designed once again thinking about the creation of the Business Model Canvas (see Table 3: Go questionnaire - Commercial).

**TABLE 3: GO QUESTIONNAIRE – COMMERCIAL**

| GO QUESTIONNAIRE – COMMERCIAL | |
|---|---|
| **Which are your distribution channels?** | - b2b<br>- b2c<br>- E-commerce<br>- Agent Network |
| **Do you have a commercial office?** | |
| **Do you have a commercial network?** | |
| **What kind of commercial channel do you use?** | - Direct<br>- Short<br>- Long |
| **Do you have short-term/long-term commercial objectives?** | |
| **What are the main opportunities for your company at this time?** | |
| **What is the degree of innovation of your product/service?** | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4<br>☐ 5 |

### 2.1.4 Customers, suppliers and competitors

In this section we analyze the characteristics of three key elements: customers, suppliers and competitors.

- The customers: companies exist if there are customers willing to pay in exchange for a product or a service provided by the company. (See Table 4: Go questionnaire – Customers);

- The suppliers: they are crucial as they provide products and services necessary for the proper functioning of the company's production process. (See Table 5: Go questionnaire – Suppliers).

**TABLE 4: GO QUESTIONNAIRE - CUSTOMERS**

| QUESTIONNAIRE GO - CUSTOMERS | |
|---|---|
| **Define your customers in terms of numbers and financial turnover** | |
| **Describe the geographic distribution of your customers** | - Local<br>- Regional<br>- National<br>- European<br>- International |
| **Are there any barriers for your customers which prevent them from accessing a similar product or service from a different source on a scale from 1 to 5 (1=very low, 5=very high)?** | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4<br>☐ 5 |
| **What is your competitive advantage?** | |
| **What benefits do the customers gain from your product?** | |
| **Can you evaluate your customers' loyalty on a scale from 1 to 5 (1=very low, 5=very high)?** | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4<br>☐ 5 |
| **Do you have a system to control your customers' perception of quality?** | |
| **Do you have an after-sale service?** | |

| | |
|---|---|
| **Do you have a loyalty program?** | |
| **Who is your customer?** | |

**TABLE 5: GO QUESTIONNAIRE - SUPPLIERS**

| GO QUESTIONNAIRE - SUPPLIERS | |
|---|---|
| **Who are your main suppliers?** | |
| **How many suppliers do you have?** | |
| **Do you feel confident in outsourcing to suppliers on a scale from 1 to 5 (1=very low, 5=very high)?** | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4<br>☐ 5 |
| **How important is a specific supplier for the entire supply chain management on a scale from 1 to 5 (1=very low, 5=very high)?** | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4<br>☐ 5 |
| **How easily can you change suppliers on a scale from 1 to 5 (1=very low, 5=very high)?** | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4<br>☐ 5 |
| **How big are your suppliers?** | - Small enterprises<br>- Medium enterprises<br>- Big enterprises |

| | |
|---|---|
| **How often do you change suppliers on a scale from 1 to 5 (1=very low, 5=very high)?** | ☐ 1<br>☐ 2<br>☐ 3<br>☐ 4<br>☐ 5 |
| **Are there any suppliers which constitute a bottleneck for the company?** | |

**TABLE 6: GO QUESTIONNAIRE - COMPETITOR**

| GO QUESTIONNAIRE - COMPETITOR | |
|---|---|
| **How long does it take for a new company to enter the market?** | - Very Short time(less than one month)<br>- Short time (between 1 and 3 months)<br>- Medium time (6 months)<br>- Long time (1 year)<br>- Very long time (more than 1 year) |
| **What are the barriers a competitor has to face to enter the market?** | - Investment<br>- Brand identity<br>- Distribution channels<br>- Scale and learning economies |

Finally, the client is asked to express an overall assessment of his product's or service's quality and the quality of the relationships with customers and suppliers, to highlight the management's awareness of the importance of these factors. (See Table 7: GO Questionnaire – EVALUATION).

**TABLE 7: QUESTIONNAIRE GO - EVALUATION**

| GO QUESTIONNAIRE - EVALUATION | |
|---|---|
| **Express your opinion about your product or service** | |
| **Express your opinion about the relationship you entertain with your customers** | |

| | |
|---|---|
| **Express your opinion about the relationship you entertain with your suppliers** | |

## 2.2 Value Proposition Canvas

The core of each business is to understand its customer and create a product shaped on the customer's needs. That's the reason why it is fundamental for a company to deeply know its customer and elaborate a strategy based on this knowledge.

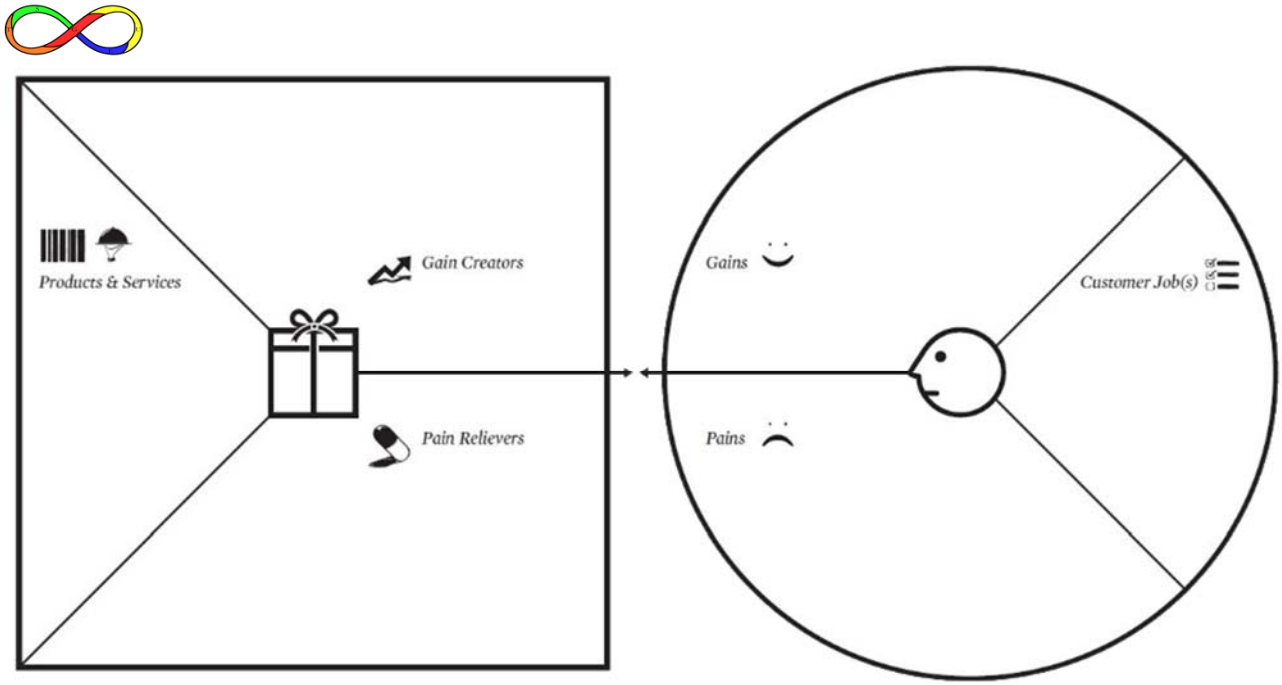



**FIGURE 4: VALUE PROPOSITION CANVAS**

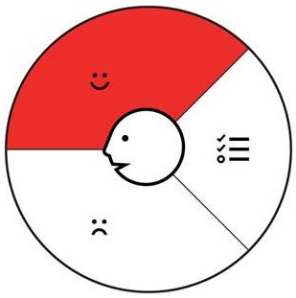
The Value Proposition Canvas is a graphical tool designed by Alex Osterwalder and Yves Pigneur to help you define who your customer is.

First of all the customer profile has to be defined. The Customer Profile is composed of three different parts: customer gains, customer pains and customer jobs.

Secondly it is necessary to create a Value Map which describes what value a company can offer in response to a customer's needs and profile. It is divided in: product and services, pain relievers and gain creators.

### 2.2.1 Customer Gains

This part of the Customer Profile describes the outcomes customers want to achieve or the concrete benefits they are seeking.

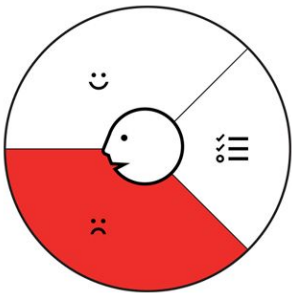


Types of customer gains**:**

- Required gains
- Expected gains
- Desired gains
- Unexpected gains

### 2.2.2 Customer Pains

This part of the Customer Profile describes the negative outcomes, risks and obstacles related to customer job.

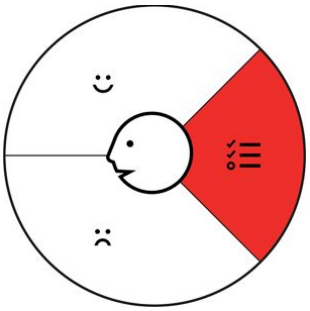


This means the entire range of a customer's problems before, during and after a job is completed.

Types of customer pains:

- Undesired outcomes, problems and characteristics
- Obstacles
- Risks (undesired potential outcomes)

### 2.2.3 Customer Jobs



This part of the Customer Profile describes what customers are trying to achieve in their work and in their lives as expressed in their own words.

Types of customer jobs:

- Functional jobs
- Social jobs
- Personal/emotional jobs

This represents what customers are trying to achieve in their daily life. For example a job could be a task the customer wants to accomplish or a need he wants to satisfy. It's important to consider the customer's perspective when investigating customer jobs.

### 2.2.4 Gain creators

This part of the Value Map describes how a company's products and services create customer gains.

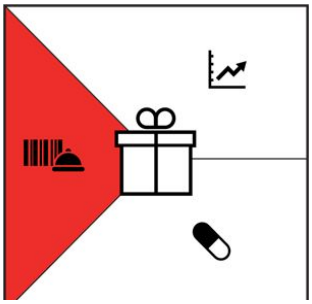
It's really important to focus on those instances which are relevant to the customer and where a product or service can make a difference.

### 2.2.5 Pain relievers

This part of the Value Map describes how products and services can alleviate customer pains. The main trick is to find a product or service that doesn't relieve all of your customer pains but which is focused on the main ones.

### 2.2.6 Product and services

This part of the Value Map describes the bundle of products and services a company offers to satisfy the customer's basic needs.



Remember that products and services do not create value alone but only in relationship to specific jobs, pains and gains There are several different types of products and services which can be categorized in:

- Physical/tangible
- Intangible
- Digital
- Financial

Products and services have a different relevance to the customer, which can span between *essential* to *nice to have*, therefore it's better to make a clear distinction in order to be able to assign priorities.

# 3 Uniform

The second phase of the GUEST methodology has been named Uniform and has two main objectives:

- To deepen and consolidate the information about the company collected during the Go phase;
- To create a knowledge base of the client's company following a standard format and to make the comparison between current and past cases possible.

The documents used in the Uniform phase are the Business Model Canvas (BMC), a well known instrument, especially in the start-up world, developed by Alexander Osterwalder and described in his book: Business Model Generation (Osterwalder, 2010).

The Business Model Canvas (see Table 9: Business Model Canvas) describes the company's business model, the logic according to which an organization creates, delivers and captures value (Osterwalder, 2010) and contains all relevant information to develop new business ideas, create innovative start-ups or relocate existing businesses. The graphic template makes it is easy to visualize and define the company's business model as a whole, allowing hypothetical scenarios and assessment of possible trade-offs between the elements that make up the system.

Most of the information required to build the BMC has been collected during the Go phase through the questionnaire. During the second phase of the GUEST methodology, the researcher will elaborate the Canvas with his client. The ability to work in a simple and intuitive way will allow them to establish a constructive relationship.

The Business Model Canvas is very useful during the initial stages of a company's creation, when it is necessary to collect and organize the main parameters on the basis of which the new business can be built or an existing business redefined. The success of the BMC is due to the simplicity of the graphics which highlight those areas that need to be focused on as well as the relationships between the various elements. Moreover, the model suggests a logical path to follow in the design of the canvas.

The Business Model Canvas is used in the Evaluate phase to define the current assets of the company.

The model is made of 9 key elements that show the logic by which a company wants to make a profit. The nine elements belong to four main areas of a business:

1. The customers;
2. The offer;
3. The infrastructure;
4. The financial health.

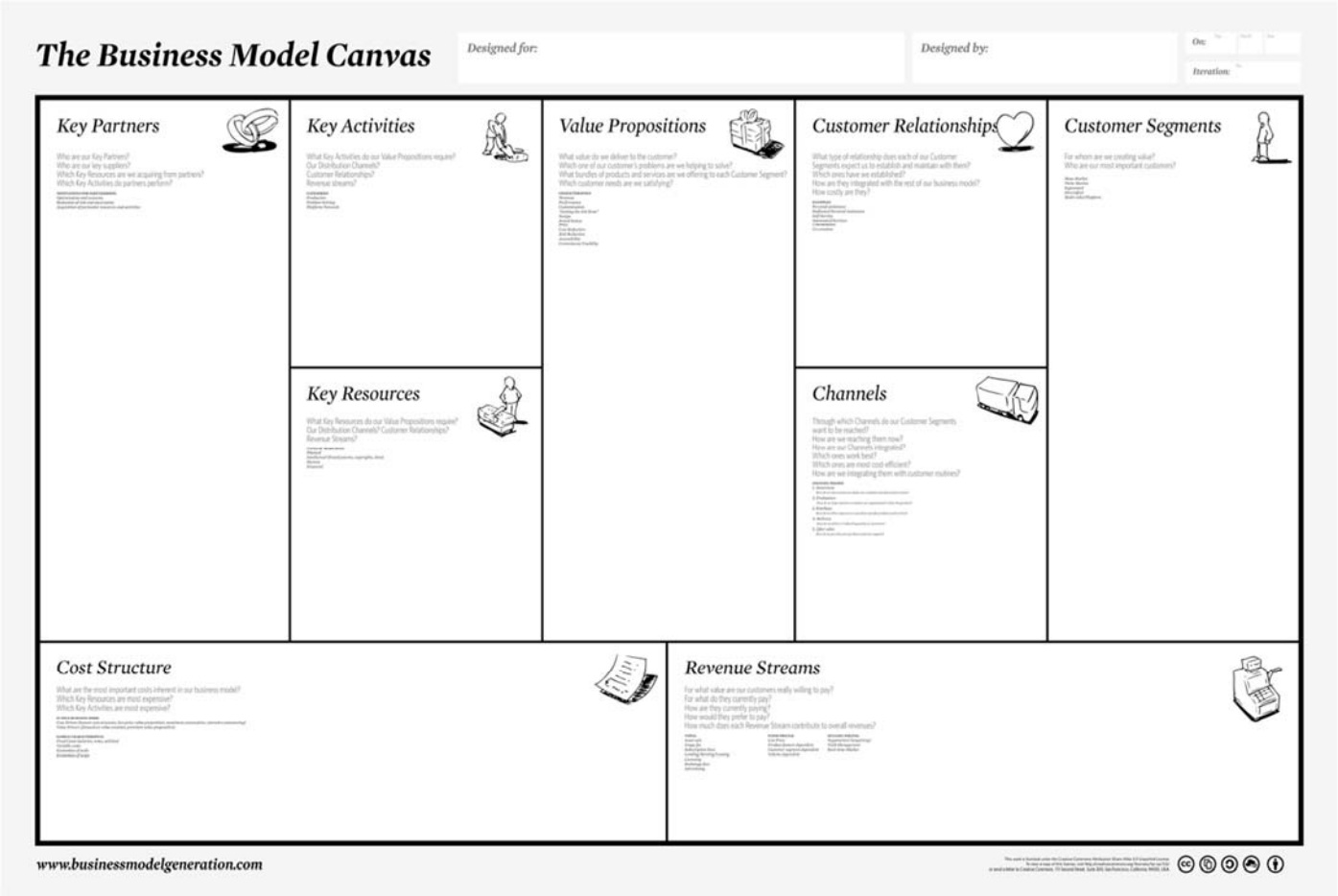



**FIGURE 5: BUSINESS MODEL CANVAS**

The nine elements of the Business Model Canvas are:

1. Customer segments;
2. Value proposition;
3. Channels;
4. Customer relationship;
5. Flows of revenues;
6. Key resources;
7. Key activities;
8. Key partnership;
9. Cost structure.

The Canvas has to be read beginning from the center, then right and finally left. The value proposition, which is the value the company offers to its clients, observed from the latter's point of view, is the focus of the document. On the right side of the canvas there are the ideal characteristics to which the business must aspire in order function. On the left side of the canvas are listed the tools the company needs in order to implement its plans.

## 3.1 Customer segments

The customer segments define the different groups of people or organizations that a company wants to reach and serve. Customers are the source of survival for every business: without profitable customers the company has no reason to exist. Therefore, it is vital to pay special attention in satisfying the customers' needs and demands in the best possible way. To do this it's necessary to group customers into distinct segments based on their common needs, behaviors, or other characteristics. These segments can be large or small, as long as they are identified correctly.

The grouping of customers must be based on the following criteria:

- Customers' needs require and justify a separate offer;
- Customers are reached through different distribution channels;
- Customers require different types of relationships;
- Customers have substantially different profitability;
- Customers are willing to pay for different aspects of the offer;

## 3.2 Value Proposition

The Value Proposition is an array of goods and services which create value for a specific customer segment, and is the reason why customers go from one company to the next. The Value Proposition solves a customer's problem and meets his needs through a specific mix of elements.

The value can be quantitative (for example, price, speed of service) or qualitative (design, customer experience).

Here is a list of elements that can contribute to the creation of value for customers:

- Novelty;
- Higher quality;
- Performance;
- Customization;
- Design;
- Brand / status;
- Price;
- Costs reduction;
- Risks reduction;
- Accessibility;
- Convenience / usability;

## 3.3 Channels

Channels represent the way a company interacts with its customer segments to deliver its Value Proposition. Communication, distribution and sales channels make up the interface of a company towards its customers. Channels are points of contact and therefore play an important role in creating a satisfying customer experience.

The channels serve different purposes, including:

- Increase customer awareness of the company's products and services;
- Help customers understand the value offered by the company;
- Help customers buy specific products and services;
- Deliver the offered value to customers;
- Provide after-sales support.

It may be important to ask:

- Through which channels the customer segments want to be reached;
- Through which channels the customer segments are currently reached;
- How are the different channels integrated;
- Which are the most cost-effective channels;
- How are the channels integrated with the customers' habits.

Channels can be direct or indirect. The channels which are independently operated by the company are direct, such as sales force or a website, while channels such as a retail stores owned or operated by a partner are indirect. Indirect channels lead to lower profit margins, but allow organizations to extend their reach and to benefit from the strengths of their partners. Direct channels guarantee higher margins, but may require considerable costs for their activation and operation.

## 3.4 Customer Relationships

The customer relationships block describes the relationships established by the company with each of its customer segments. In this phase, more details are added to the information which has already been collected during the Go phase.

This block of the Canvas outlines the ways in which the company:

- Acquires customers;
- Retains customer;
- Grows sales.

There are several ways in which a company can (in accordance with its business model) engage customers:

1. **Personal Assistance** - this relationship is based on human interaction. Each client can contact the company directly to receive personalized help and support (for example phone companies have staff dedicated to *business* customers);
2. **Dedicated Personal Assistance** - this relationship is built and maintained by assigning to each customer a specific employee for assistance (as in the case of financial advisers); it is a very intimate relationship which promotes the customer's confidence;
3. **Self-service** - this relationship is based on a structure which allows the customer to receive help and support through indirect contact with the company; this kind of relationship is supported by the Internet. Moreover, all companies should offer an online FAQ (Frequently Asked Questions) where the more frequent questions are listed and answered.

4. **Automatic Services** - this is an evolved form of self-service customer relationship which is prevalent in some businesses (for example, online banking, which often offers a personal online account through which the customer can perform many actions that traditionally take place at the counter);

5. **Community** - this type of relationship is straightforward and allows greater involvement of customers and interaction between them. Both social networks and online communities are a common way to create a community around a product or a service.

6. **Co-creation** - this relationship is based on sharing the process of value creation with the customer, who has the possibility to actively participate. Customers can express their opinions and make choices that modify the value proposition. Also in this case Social Networks play an important role. For example, Activia gave the possibility to its customers to choose the new flavors to be put into production via a poll on Facebook. Today you can find in supermarkets some Activia products marked with the Facebook logo, indicating the fact that the flavor has been chosen by customers.

At the operational level, it is important to understand which types of relationships can be strategically integrated with the business model that is being built and what kind of relationship is more suitable to each of the customer segments identified.

## 3.5 Revenue Streams

The revenue streams block describes the flows of revenues received by the company via the sale of products or services to a particular customer segment.

The variables to be considered here are the price and the payment method, both critical to regulate financial flows.

The price variable is a critical element in building a business model but, as mentioned earlier, it's certainly not the only factor in making the model functioning and sustainable. The payment method completes the business process design and adds to the Revenue Stream block some critical information.

It's important to complement the information provided by the customer with in-depth market analysis, in order to have a benchmark with competitors.

Revenue streams can be generated in different ways:

- S**ale** of a product's ownership;
- **Usage fee** for a particular service;
- **Membership fee** to access a continuous service;
- **Loan / rental / lease** . This revenue stream is generated when you provide a customer the opportunity to use an asset for a specified amount of time (as in the rental of premises, leasing of cars etc ...);
- **Licenses**. A company may decide to grant to another company the use of its intellectual property or a patent in exchange for a fee;
- **Brokerage commissions** for inter-mediation between parties. Common in the start-up environment;
- **Advertising**. This revenue stream is generated by advertising a product or a service.

In the Business Process Design of a start-up, or when analyzing of the weaknesses of a business model, it is important to consider each of these components:

- What customers have to pay for;

- How they have to pay;
- How much they have to pay;

If a good, new idea is the basis from which to achieve success, the composition of the revenue rtreams (and the analysis of fixed costs) allows to maintain the success by implementing a sustainable business model.

## 3.6 Key Resources

The Key Resources block encompasses the strategic assets that a company must have to implement their own business model.

Each activity has its own key resources:

- **Physical**. It includes tangible property such as stores, facilities, technologies and machinery;
- **Intellectuals**. It includes the know-how of a company, its patents, trademarks, copyrights, projects developed, partnerships and customer database;
- **Human.** Human resources are important in every business model, especially in the service industry. When working on the BMC it's important to define which human resources are considered strategic;
- **Financial**. They include specific financial assets such as lines of credit, cash or a combination of stock options which enable the company to hire strategic employees or to secure supplies which constitute a competitive advantage.

When designing this block of the BMC it's important to focus on those resources which create value for a specific customer segment.

## 3.7 Key Activities

The Key Activities block describes the strategic activities that must be performed to create the Value Proposition, reach customers, and generate revenues.

In other words, this block details which are the most important processes that the company has to manage to fulfill its own business model. As for key resources, key activities differ according to the industry: for a consulting firm a key activities relate to providing good advice to clients, for a food company a key activities can be identified with the production process.

Key activities therefore can be of three types:

1. **Productive**. They are typical of manufacturing companies for which it is essential to continuously create, produce and distribute the products;
2. **Problem Solving**. They are typical of the service industry;
3. **Maintenance / development of platforms and networks**. This is the case of companies like Google.

Key activities listed in the BMC should be the ones that determine a competitive advantage. Along with key resources and key partners, the key activities block will determine the structural costs that the company has to sustain. It's good to keep a clear and concise overview of the business model, to facilitate the translation of the Business Model Canvas into strategic planning documents.

## 3.8 Key Partners

The Key Partners block describes the network of partners and suppliers essential in running the company's business model.

Conceiving the company as a system that operates within a larger ecosystem, it's not possible to think about it as 'self-sufficient'. There are in fact strategic actors outside of the company who are essential to implement the business model and to increase the chances of success in the market.

The partnerships may be of different types:

1. Strategic alliances between non-competing companies: it's the case of suppliers or companies that are confined to a single production chain;
2. Strategic alliances between competitors: it's the case of companies that are on a network to provide clients with a similar value proposition within various points of contact;
3. Joint ventures between companies to develop new business;

The goal of these partnerships is to allow the company to respond to different needs, internal and external, which are not accounted for in its business model. The motivation to establish such partnerships can be a consequence of a company's necessity to:

- Optimize resources and activities;
- Develop economies of scale;
- Reduce the risk of competition;
- Compete in a larger market;
- Acquire specific resources;
- Promote its brand;
- Acquire new customers.

## 3.9 Cost Structure

The Cost Structure block defines the costs that the company sustains in order to run its business.

In the design process of the Business Model Canvas, the business' cost structure is the last element to be defined, as it is directly related to the previous blocks of key activities, key partners and key resources. For certain types of activities, keeping the costs down is critical to being able to deliver value, for other activities it is not so important as their value proposition is based on status, innovation, and so on.

For this reason it's possible to differentiate between:

1. Business models driven by cost – focus is on minimizing costs;
2. Business models driven by value – focus is on providing premium value and personalized services.

Analyzing the cost structure, the business model can have:

1. Fixed costs - in this business model the costs remain constant regardless of the volume of goods and services produced (rent, salaries, production plants);
2. Variable costs - costs vary depending on the volumes of goods and services produced;
3. Economies of scale - costs decrease when a company expands;
4. Economies of scope - costs decrease by increasing the scope of an operation;

When designing the cost structure block it is important to pay attention to key resources, key partners and key activities and to question which of these will cost more and if there are suitable alternatives or

whether those costs are necessary to achieve the expected value. High costs must then be compared with the revenue streams: the business model is sustainable only if the latter are higher.

Otherwise it is possible that errors have been made in the pricing of the product or service offered, or in terms payment type or maybe the resources have not been correctly allocated. Paying attention to all these aspects allows to anticipate errors that once the product is on the market becomes difficult to correct in the short term.

# 3 Evaluate

The third phase of the GUEST methodology is called 'Evaluate' and it's strictly connected with the Uniform phase, because it is based on the company's current situation as provided by the BMC. The Evaluate phase aims to describe the company's ideal situation, which will be the result of the collaboration between Consulting Company and Client Company.

The operational tools used in this phase are four:

1. SWOT Analysis;
2. Balanced Scorecard;
3. Social Business Network;
4. ICE-Diagram;

## 4.1 SWOT Analysis

The SWOT analysis is a strategic planning tool which effectively highlights the characteristics of a project or an organization and its interactions with the environment, offering a framework for the definition of strategic guidelines.

The SWOT analysis allows to consider the objective to be achieved, taking into account the internal and external variables simultaneously. The internal variables are those which are part of the system and on which it's possible to interfere; the external ones, instead, are independent from the organization and have to be monitored in order to reduce risk and achieve performance goals.

The SWOT analysis is a tool that supports the decision making process and answers its need of rationalization. It is an instrument of self-diagnosis and therefore its efficacy depends on the extent and completeness of the preliminary analysis.

The situation has to be thoroughly reviewed in order to highlight all the features, the relationships and the synergies. For this reason it is necessary to know each of the specific issues considered and their context to produce a general overview.

The outcome of the analysis is a summary diagram comprising endogenous factors (the strengths and weaknesses of the system); and exogenous factors (opportunities and threats provided by the external environment).

The effectiveness of the analysis is due to the possibility of cross-reading the identified factors when it's time to decide how to approach the company's goals. For this purpose the results of the analysis are presented in a diagram.

The aim of the analysis is to provide the opportunity for the development of the territorial area, through the enhancement of the company's strengths and the containment of its weaknesses. This, by

conducting the analysis of alternative scenarios, which allows to identify the main factors that can affect the success of a certain strategy.

The advantages of this type of analysis can be summarized in three points:

1. The analysis of the context in which the company operates, made by preliminary observation and data collection, and the interpretation of its results allow an accurate delineation of the strategy;
2. A constant comparison between the ever changing needs of the organization and the strategies adopted results in a greater level of effectiveness;
3. Makes it possible to achieve a greater consensus on the strategies if all parties concerned are involved in the analysis.

The limitations associated with this type of analysis are basically three:

1. The risk to describe reality in a simplistic way;
2. Its implementation requires a context of strong partnership between the parties involved, in absence of which there is a danger of a disconnect between the theoretical and the actual outcomes;
3. The risk of selecting the actions to be performed in a subjective way.

It was decided to include the SWAT analysis between the standard tools of the GUEST methodology as its outcome is a necessary prerequisite for the ICE Diagram. However, it will be at the discretion of the researcher to assess the actual need for the tool.

## 4.2 Social Business Network

The Social Business Network (SBN) is a visual document intended to represent the company in its environment in order to assess any possible positive and / or negative interaction between all elements of the system. As mentioned in previous chapters the methodology has been developed for companies operating in MACS, therefore it is necessary to evaluate and analyze every possible relationship between the different actors, both direct and indirect, not to underestimate any factor impacting on the company's business.

The SBN is a standardized chart in which each player is represented by a node categorized according to the following parameters (see Table 2: nodes categorization of Social Business Network):

- **Type**. The shape of the node will be different depending on the type of actor (eg. SMEs / Start-up, entity, partner, etc ..);
- **Numerosity**. The size of the node will be directly proportional to the magnitude of the represented entity.

Each node will be connected by one or more typified arches according to the type of relationship. (See Table 8: Typified Knots).

The arches are categorized based on the following parameters:

- **Type**. The arches will be different depending on the type of relationship they represent;
- **Power**. Each arch will have a score from 1 to 5, with increasing force level, based on the influence of the relationship represented. This score is optional and should be added only when absolutely necessary.

Please note that the arches can be unidirectional or bidirectional.

At the base of the SBN, there are three basic premises:

1. The actors and their actions are considered as interdependent units, rather than independent or autonomous units;
2. The relational links between the actors are channels for the transfer or the flow of resources (both material and non);
3. The network models are considered structural environments that provide opportunities or constraints for individual action.

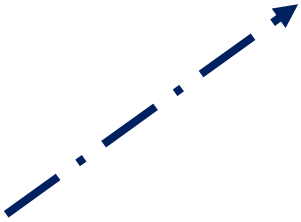
The following table represents the categorization of the nodes of the Social Business Network.

**TABLE 8: SOCIAL BUSINESS NETWORK CATEGORIES**

| Actor | Type of node | Dimension | Information |
|---|---|---|---|
| Enterprise | | Micro-enterprise | <10 employees |
| | | Small enterprise | <50 employees |
| | | Medium enterprise | <250 employees |
| | | Big enterprise | >250 employees |
| Entity | | Local | Local influence |
| | | Regional | Regional influence |
| | | National | National influence |
| | | European | European influence |
| | | Extra-european | International influence |
| Customer | | Local | Local influence |
| | | Regional | Regional influence |
| | | National | National influence |
| | | European | European influence |
| | | Extra-european | International influence |
| Partner/Competitor | | Micro-enterprise | <10 employes |
| | | Small enterprise | <50 employes |
| | | Medium enterprise | <250 employes |
| | | Big enterprise | >250 employes |

The following table represents the categorization of the typified arches of the Social Business Network.

**TABLE 9: ARCHES AND STRENGHTS**

| Type of link | Type of arch | Strenght of influence |
|---|---|---|
| Commercial | | 1=super weak |
| | | 2=weak |
| | | 3=normal |
| | | 4=strong |
| | | 5=super strong |
| Legal | | 1=super weak |
| | | 2=weak |
| | | 3=normal |
| | | 4=strong |
| | | 5=super strong |
| Partnership/ Stakeholder | | 1=super weak |
| | | 2=weak |
| | | 3=normal |
| | | 4=strong |
| | | 5=super strong |
| Competitor |  | 1=super weak |
| | | 2=weak |
| | | 3=normal |
| | | 4=strong |
| | | 5=super strong |

The SBN has to be presented taking into account the information given in the above tables. In this way, a standard representation will be immediately readable and understandable by all.

Please note that the positioning of the different players is irrelevant to the understanding of SBN.

The founding premise of SBN is that each actor interacts with the others and that such interaction influences and changes the behavior of both. This scheme is crucial because in the analysis of the environment in which a business entity operates, usually are primarily considered the direct type of relationships, losing the overview. However, it is possible that, considering only the first-level interactions apparently without problems, you neglect visible relationships only considering the MACS overall. These reports could be due to problems and interruptions in the system otherwise undetectable.

This tool is designed as a support for the Consulting Company in the phase of evaluation and planning of operational actions, rather than for the business customer

## 4.3 The Balance Scorecard

The Balanced Scorecard can be defined as a complete strategic planning and management system. It's a holistic approach to business management that starts with the definition of the strategy with the help of strategic maps, to get to the execution and verification of the same through the use of the balanced scorecard.
Designed by Robert Kaplan and David Norton in the early nineties, the Balanced Scorecard was originally created as model to measure and evaluate the performance of an organization.
With this model, the performance evaluation was not carried out exclusively through financial indicators, but rather through a dashboard comprising four different perspectives:

- Economic and financial perspective;
- Customer perspective;
- Internal process perspective;
- Learning and growth perspective.

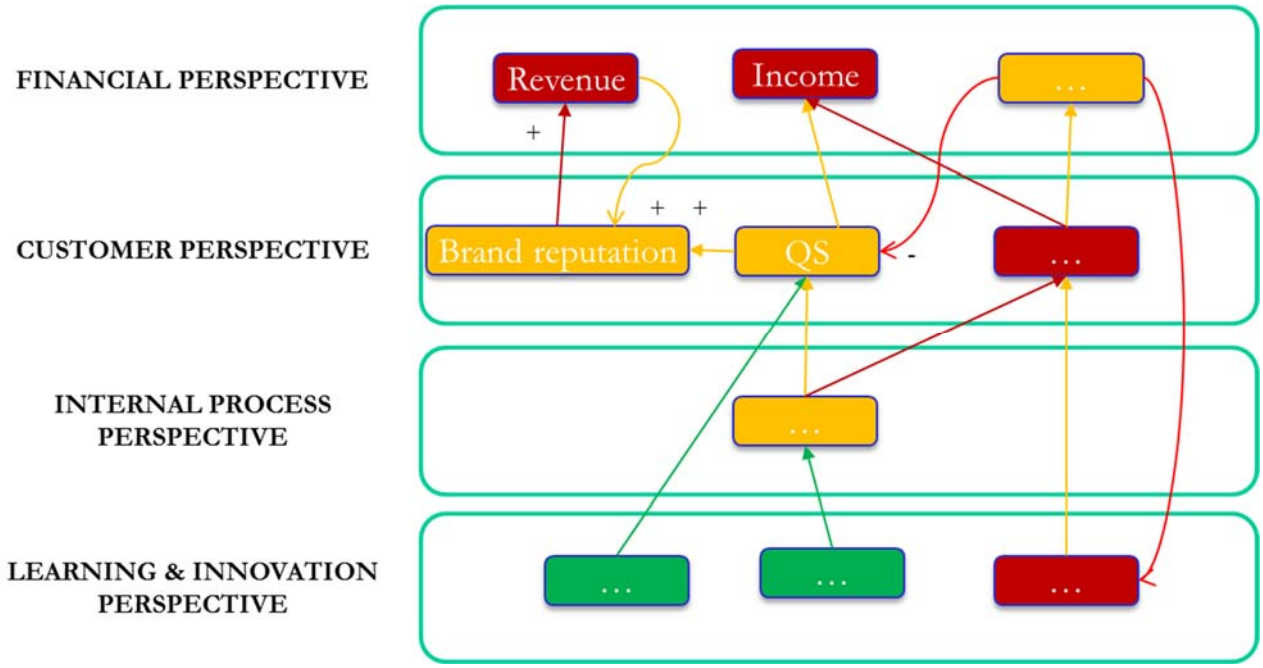



FIGURE 6: STRATEGIC MAP

In practice, the aim was to balance the financial indicators, to evaluate the result of previous actions. The Balanced Scorecard has quickly evolved into a comprehensive management system to implement and run the strategy, to align daily operations and resources with strategic intent, allowing the management process to develop new forms of organization strongly oriented by the strategy.
The Balanced Scorecard enables an organization to translate its vision according to a new framework through which the strategy is described and reported in terms of objectives, initiatives and measures.

At the center of the Balanced Scorecard is the company's strategy:

- The Vision
- The Strategic Intent to pursue the corporate vision

Therefore, the BSC can be considered a management tool that allows translating strategy into action through the identification of some strategic variables, organized along four perspectives. For each

variable inserted in one of the four perspectives targets are set in order to direct and control corporate performance.

In summary the Balanced Scorecard is used to:

- Articulate the business's vision and strategy;
- Identify the factors that best link the business's vision and strategy to its results (e.g., financial performance, operations, innovation, employee performance);
- Establish objectives that support the business's vision and strategy;
- Develop effective measures and meaningful standards, establishing both short-term and long-term targets;
- Ensure company wide acceptance of the measures;
- Create appropriate budgeting, tracking, communication, and reward systems;
- Collect and analyze performance data and compare actual results with desired performance;
- Take actions to avoid undesired gaps;

In order to make the Balance Scorecard effective, it has to be constructed following these steps:

1. Define the Vision and Strategic Intent
2. Identify strategic objectives and the variables affecting them starting from the content of the BMC
3. Build a strategic map & simplify it based on Vision and Strategic Intent
4. Identify performance measures and create the Balanced Scorecard

### 4.3.1 Vision and Strategic Intent

When making choices and determining priorities, context plays a crucial role. This is why the first step of the balanced scorecard consists in the definition of the company's Vision and the Strategic Intent to pursue it.

With a Vision Story in place at the beginning of the BSC design process, it is much easier to select strategic actions and objectives to support the achievement of the Vision. Therefore, a vision story should be considered a vital building block of any BSC program.

In order to define the company's vision and strategic intent it is useful to analyze the Value Proposition bloc of the BMC, keeping in mind that the Vision is an aspirational description of what an organization would like to achieve in the long-term while the strategic intent is a declaration of how the organization intends to achieve its vision.

Below are reported two definitions of Vision and Strategic Intent:

VISION: '*An aspirational statement of where the organization desires to be in the future, the direction and ultimate goal of the organization, what it would achieve or accomplish in the future. The vision statement answers the question "Where do we want to go?", and as such, is purposively directional.*'

STRATEGIC INTENT: '*The critical drivers for the organization, what the organization must do (now) in order to achieve its vision and mission. A clarification of vision with specifics for realization.*'.

### 4.3.2 Strategic Objectives

Once the company's Vision and Strategic Intent have been defined, it is time to break down the strategy into objectives.

To do so, the GUEST methodology suggests a framework for the identification of such objectives and their classification into the four perspectives of the classic Balanced Scorecard starting from the BMC's content. In fact, each bloc of the BMC already contains the elements that make up the business model. These elements must be interpreted in a strategic perspective and translated into operative terms.

Below is a framework, which is intended as a loose guideline for the translation of such elements into strategic objectives.

This process is carried through a brainstorming session where each element of each bloc is reformulated into an objective. During this process it is advisable to associate to each objective identified one or more variables. In fact, while objectives are quite general in nature, variables represent the elements directly impacting the ability to reach such goals. Variables also provide a representation of the connections existing between objectives, and therefore between different perspectives of the BSC, and will be useful in the construction of the strategic map.

Below the main blocs of the BMC have been analyzed, with the exclusion of four blocs (Value Proposition, Key Partners, Cost structure and Revenue Streams).

The question that has been asked to develop this analysis is: how are the elements contained in each block impacting each perspective of the Balanced Scorecard?

The image below reassumes the meaning of each perspective putting it into context by representing the links connecting them with each other.

FIGURE 7: PERSPECTIVES OF THE BALANCED SCORECARD

### A. CUSTOMER SEGMENTS

The Customer Segments block contains one or more segments which have been chosen by a company as the ones to be targeted with its offer of products and services.

The logic behind customer segmentation follows some basic considerations concerning the customer's needs, the distribution channels they are reached through, the type of relationship they entertain with the company and their level of profitability.

FINANCIAL PERSPECTIVE:

From the financial point of view, the definition of customer segments is the basis of generating and/or increasing the company's revenue. For example, a company's choice to target a new segment via a new product serves the general objective of broadening its revenue mix.

Possible objectives:

- Grow revenues
- Broaden revenue mix

CUSTOMER'S PERSPECIVE:

From the customer's perspective, proper segmentation means the company's offer is tailored to their specific needs, therefore serving the objective of customer's satisfaction and the personalization of products and services.

Possible objectives:

- Customer Satisfaction
- Personalization of products and services

CUSTOMER'S PERSPECIVE:

From the customer's perspective, proper segmentation means the company's offer is tailored to their specific needs, therefore serving the objective of customer's satisfaction and the personalization of products and services.

Possible objectives:

- Personalization of products and services
- Innovation of products and services
- Understand segmentation

LEARNING AND GROWTH PERSPECTIVE:

In a situation where a certain company decides to target a new customer segment, this might require the acquisition of new resources such as staff, machinery or software.

Possible objectives:

- Develop skills
- Recruit talent
- Acquire machinery
- Implement software

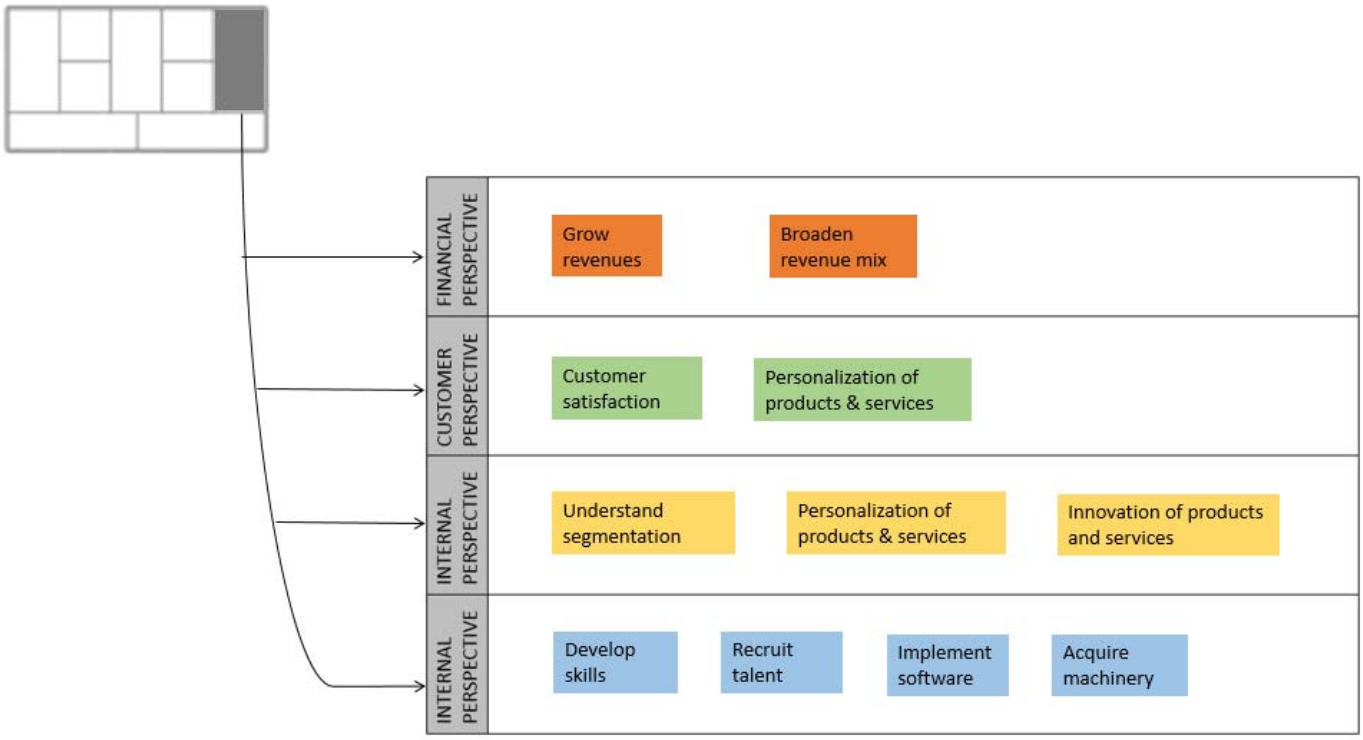



**FIGURE 8: STRATEGIC OBJECTIVES RELATED TO THE CUSTOMER SEGMENTS**

## *B. CUSTOMER RELATIONSHIPS*

The Customer Relationships block of the BMC describes the kind of relationships a company entertains with its customers. As previously stated, different customer segments might require different types of relationships, but it is also possible for a single segment to be addressed through several relationship types.

Customer relationships depend on different motivations, which are also related to the company's current business' life cycle phase. These motivations can be driven by the need to acquire new customers, retain current customers and/or increase sales.

Relationships can vary greatly, from assigning a dedicated personal assistant to each customer, to the self-service model, where a company maintains no direct relationship with its customers but simply provides them with the necessary means to help themselves.

FINANCIAL PERSPECTIVE

From the financial perspective, good customer relationships serve the general purpose of increasing revenues. At the same time, long lasting relationships produce reliable sources of income which translate into more accurate sales forecasts and therefore improved management of cash flows.

Possible objectives:

- Grow revenues
- Cash flows management

CUSTOMER PERSPECTIVE

From the customer's perspective, relationships are an essential element in creating a good customer experience. Today more and more companies are going beyond the traditional relationship they have with their customers by engaging them in the value creation process. On the other hand, companies

also entertain relationships with their partners, and have a great interest in developing trust in order to promote long lasting partnerships which can greatly benefit both parties.

Possible objectives:

- Customer experience
- Co-creation of value
- Trusted partnerships

INTERNAL PERSPECTIVE

From the internal perspective, good relationships require a performing sales force and an effective customer acquisition and retention strategy. Moreover, there are newer forms of relationships, such as Communities and Automated services, which require an effort to be developed and run efficiently from the internal perspective.

Possible objectives:

- Vendor performance
- Community building
- Automated services maintenance

LEARNING AND GROWTH PERSPECTIVE

From the learning and growth perspective, improving existing relationships or building new ones might require the acquisition and implementation of new tools, such as CRM software, as well as continuous training for the sales team.

Possible objectives:

- Continuous training
- CRM acquisition/implementation

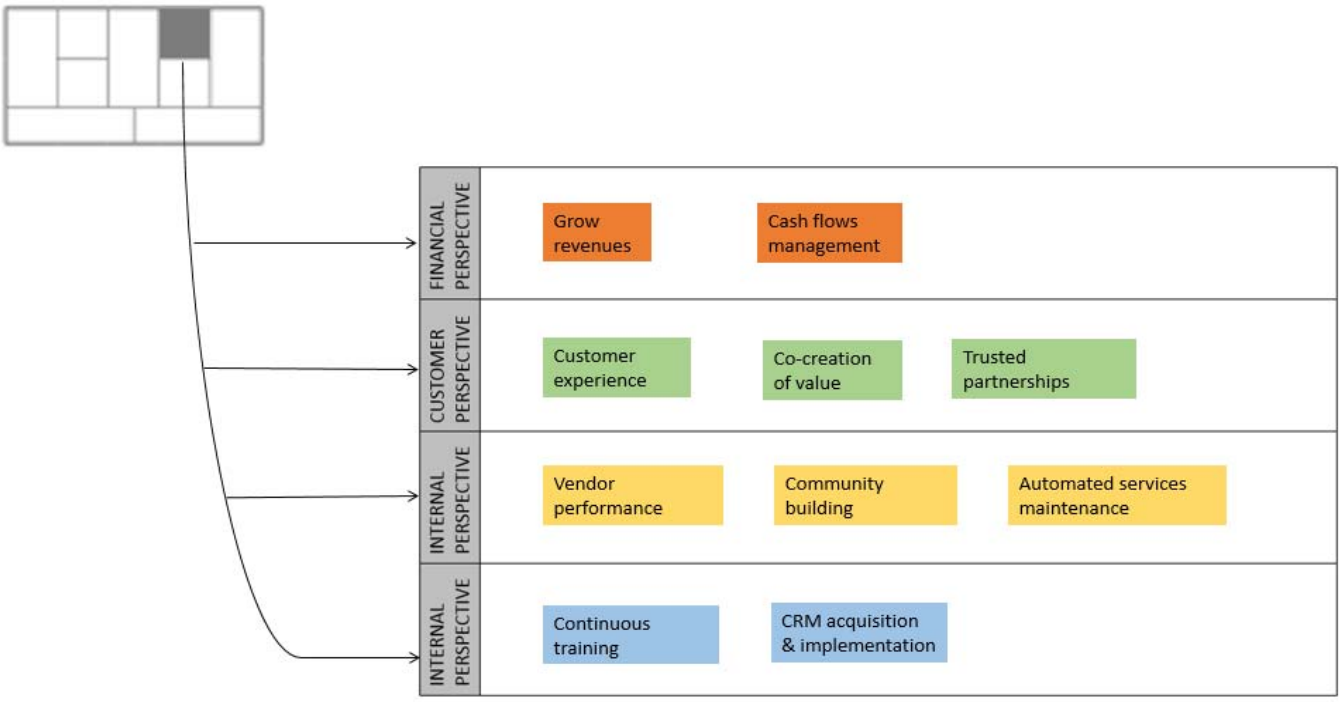



**FIGURE 9: STRATEGIC OBJECTIVES RELATED TO THE CUSTOMER RELATHIONSHIPS**

### C. CHANNELS

Channels represent a company's interface with its customers. Through selected channels, a company is able to introduce its value proposition to potential customers, allow purchasing of its products and services, manage distribution, and provide after sales support.

Channels owned by the company, such as internal sales force and proprietary website are called Direct Channels, while a retail network is considered an Indirect Channel. Furthermore, a company can decide to take advantage of channels operated by a partner, which in turn can take a variety of different forms.

Channels can be divided into two categories: Marketing & Communication Channels and Sales Channels. The difference between the two is that Marketing channels serve the purpose of creating a demand which is then harvested through sales channels.

Examples of Channels:

Marketing and Communication: Tv/Radio/Print media advertising, Social media accounts, Proprietary website, …

Sales: Proprietary stores network, Pop-up stores, Online shops, Amazon/E-bay store, Field sales agents, …

FINANCIAL PERSPECTIVE

From the financial perspective, channels can have a big influence on a company's profit margin. For example, benefitting from a partner's sales and distribution channels leads to lower margins but allows to reach a greater number of customers. On the other hand, acquiring or developing new channels, for example building a network of stores from scratch, requires substantial investments.

<u>Possible objectives:</u>

- Profit margins
- Return on investment
- Sales growth

CUSTOMER PERSPECTIVE

Channels impact the Customer perspective in many ways. Marketing channels are primarily responsible for developing a strong brand image, while efficient sales and distribution channels contribute to high customer satisfaction by assuring products' availability and timely delivery. Another important aspect in which channels play a critical role is making information about products and services readily available (for example through the company's own website), but also facilitating communications between a company and its customers.

<u>Possible objectives:</u>

- Brand image
- Products Availability
- Timely delivery
- Ease of communication
- Information availability

INTERNAL PERSPECTIVE

From the internal perspective, it is critical to choose the appropriate channels for each targeted customer segment. This is true for both marketing and sales channels: for example, online advertising and online stores target specific customer segments while they are ineffective for others. Another important internal objective is the development of a strong brand image through heavy investments in marketing and communication. In fact, a strong image benefits the business in many ways and promotes customer's loyalty as well as attracting new customers. Lastly, from a more operational point of view, the optimization of production planning and distribution is essential to ensure the products' availability and timely delivery.

Possible objectives:

- Appropriate channels selection
- Brand development
- Distribution optimization

LEARNING AND GROWTH PERSPECTIVE

From the learning and growth perspective, channels can be translated into the objective of developing new partnerships for both marketing and distribution purposes, but also the acquisition of new proprietary channels.

Possible objectives:

- Partnerships development
- New channels acquisition

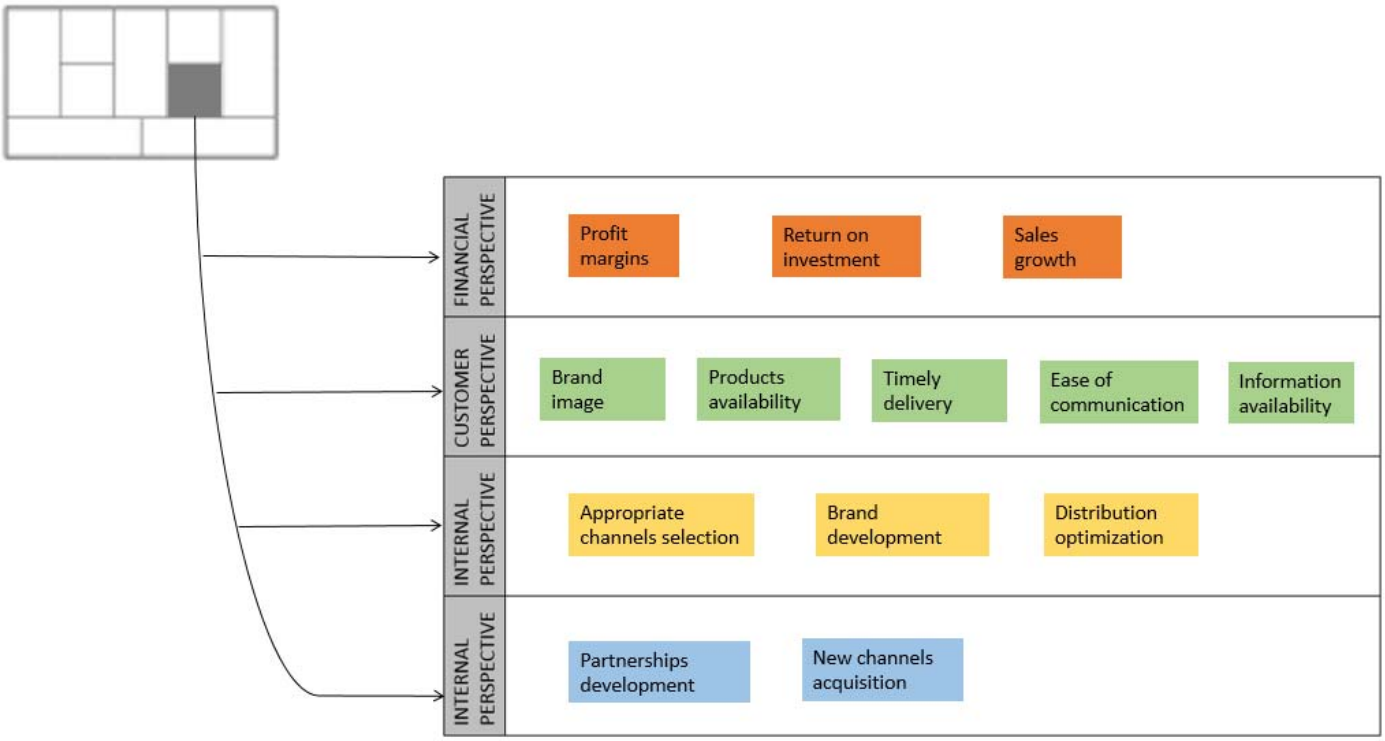



**FIGURE 10: STRATEGIC OBJECTIVES RELATED TO THE CHANNELS**

### *D. KEY ACTIVITIES*

The Key Activities block describes the fundamental activities which are necessary to implement a company's business plan. Such activities are strictly related to the type of business model which is being considered: for example, any F&B company's key activities will be related to production and distribution.

Key activities can be divided into three categories: Production, which is the main focus of manufacturing companies; Problem solving, which is critical for service providers (such as consulting companies); and Platform/Network maintenance which is the main concern for those companies whose business revolves around such structures (for example e-commerce companies).

FINANCIAL PERSPECTIVE

From the financial perspective, the impact of Key activities can be translated into the general objectives of increasing revenues and reducing costs.

Possible objectives:

- Reduce costs
- Grow revenues

CUSTOMER PERSPECTIVE

For customers, well performed key activities result in high satisfaction due to, for example, the high quality of products and services offered and/or their affordability.

Possible objectives:

- Quality products and services
- Low prices
- High satisfaction

INTERNAL PERSPECTIVE

From the Internal perspective, Key activities translate into objectives such as the ability to create innovative products and services, the optimization of current assets, the overall management of costs and the level of productivity.

Possible objectives:

- Innovation of products and services
- Optimize assets utilization
- Costs management
- Productivity

LEARNING AND GROWTH PERSPECTIVE

From the learning and growing perspective, in order to perform key activities, certain objectives must be pursued such as attracting and retaining key profiles inside the company but also increasing the employees' productivity. Furthermore, especially for business where the management of information is critical, the availability of the Information System constitutes a primary objective.

Possible objectives:

- Attract and retain talent

- Information System availability
- Employees' productivity

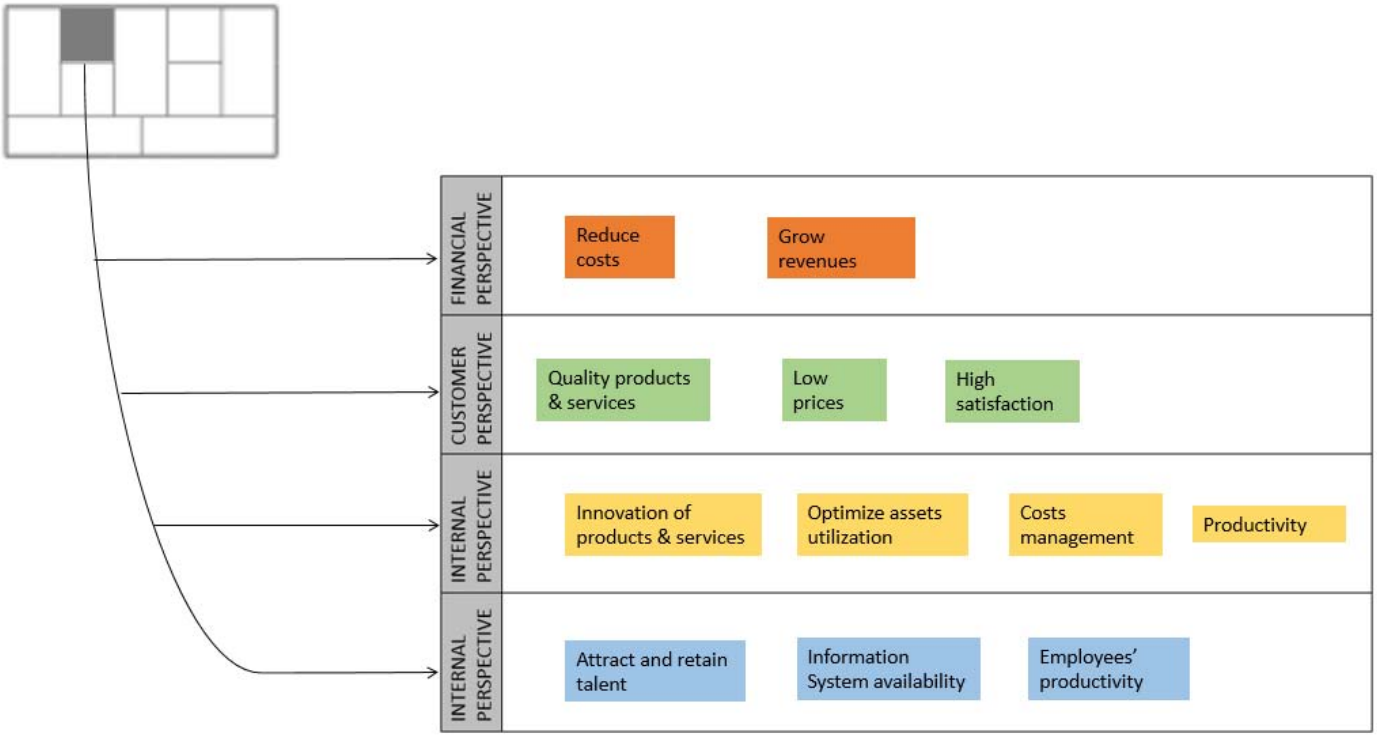



**FIGURE 11: STRATEGIC OBJECTIVES RELATED TO THE KEY ACTIVITIES**

## *E. KEY RESOURCES*

The Key Resources block details the fundamental resources a company needs in order to implement its business model. Similarly, to Key Activities, Key Resources are also strictly related to the type of business model which is being considered.

Key resources differ in nature and can be divided into Tangible, Intangible, Financial and Human Resources.

Partnerships can be considered as being an intangible resource, therefore making superfluous the analysis of the Key Partners bloc.

LEARNING AND GROWTH PERSPECTIVE

When considering a new company's creation, an existing company's expansion or the launch of a new product or project in general, the objectives elaborated from this block's content will impact primarily the Learning and Growth perspective as it has to be assumed that the resources have to be acquired yet.

In the case of human resources, an important element in determining employees' retention rate, is the company's own culture, which directly affects employees' satisfaction.

Other important aspects for the business' growth are the development of key partnerships, essential to long term sustainability, and in general terms, the way knowledge is passed on and information is shared throughout the company.

<u>Possible objectives:</u>

- Talent acquisition

- Resources acquisition
- Employees' satisfaction
- Partnerships development
- Shared Knowledge
- Information management

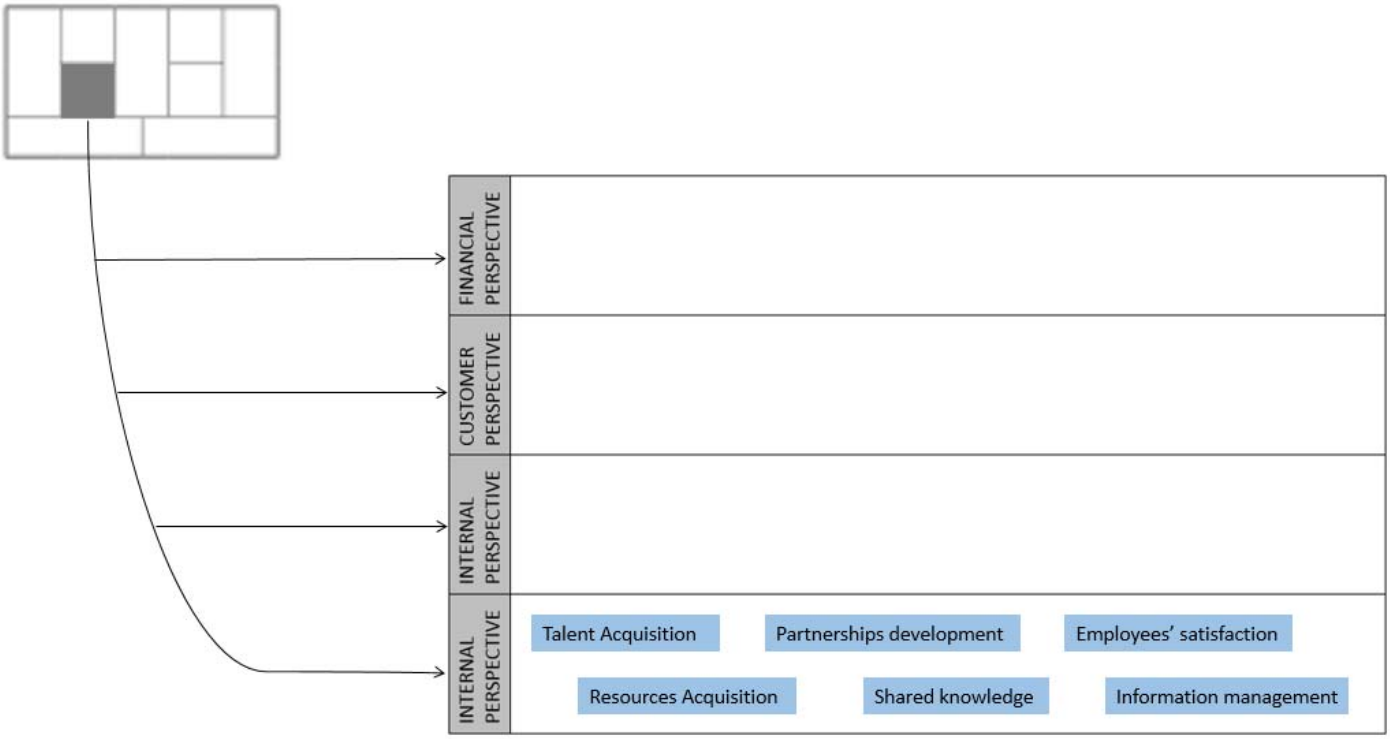



**FIGURE 12: STRATEGIC OBJECTIVES RELATED TO THE KEY RESOURCES**

### 4.3.3 Strategic Map

Once all objectives have been identified they have to be organized into a strategic map. The creation of the map follows four separate steps.

**Step 1**: All objectives must be organized into a grid made of four parts, representing each perspective of the balanced scorecard.

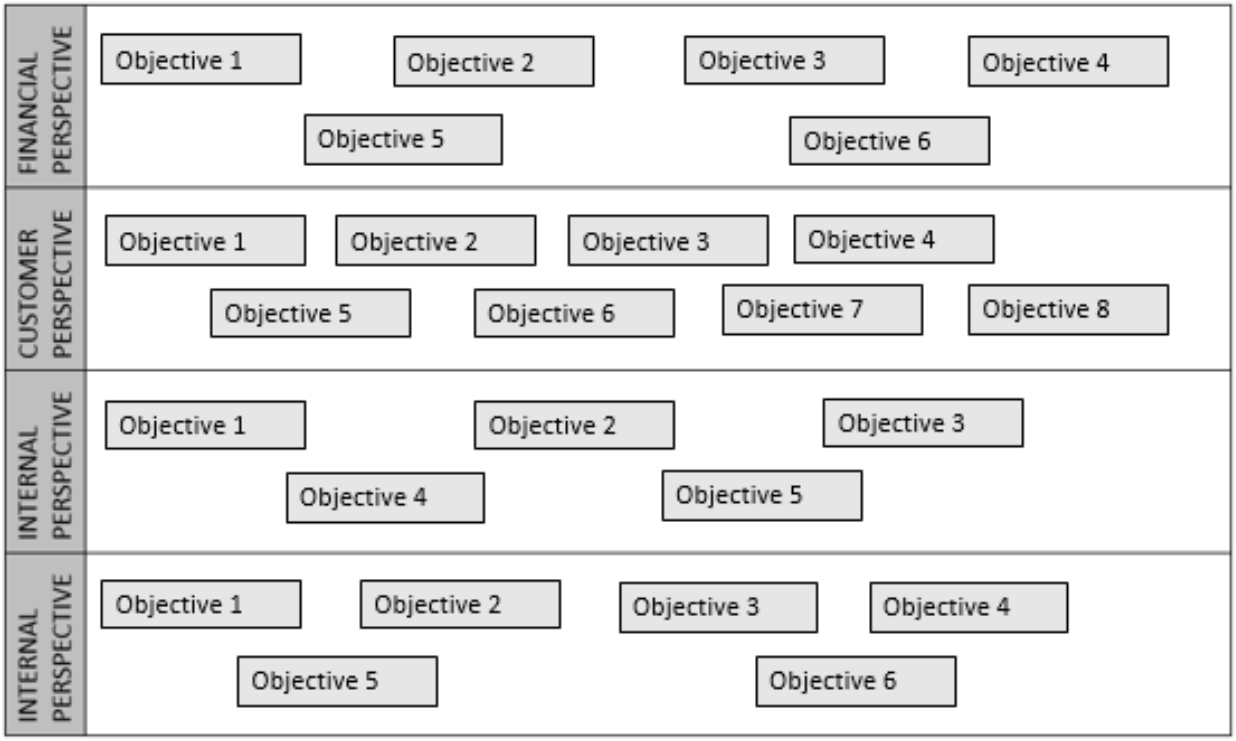



FIGURE 13: STEP 1 – ORGANIZATION OF OBJECTIVES BY PERSPECTIVES

**Step 2**: Based on the company's Vision and Strategic Intent as previously formulated, a level of priority must be assigned to each objective through the use of colors:

Red = High level of priority

Yellow = Medium level of priority

Green = Low level of priority

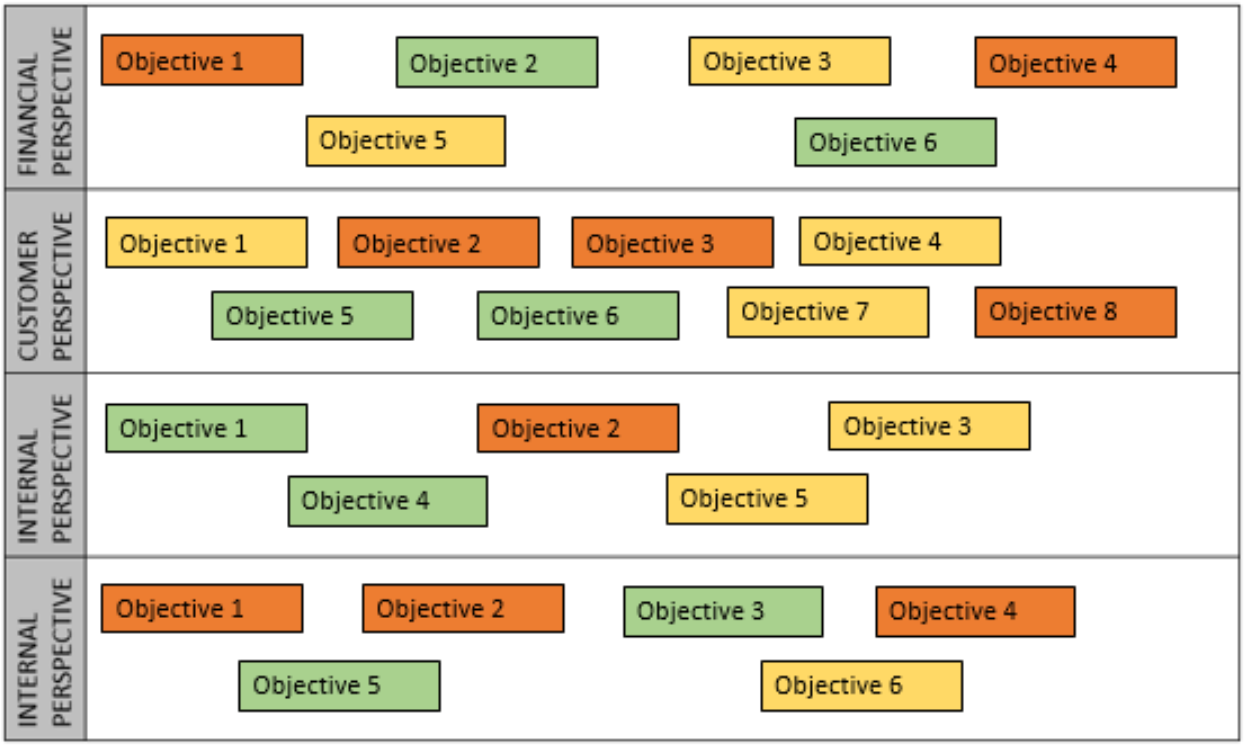



FIGURE 14: STEP 2 – ASSIGNMENT OF A LEVEL OF PRIORITY

**Step 3**: Once a level of priority has been established for each objective, the relationships between them must be represented by adding arches to the strategic map. If variables had been previously identified during the brainstorming phase of passage between BMC and BSC, these can be used as a guideline to identify possible connections between objectives and between perspectives.

In fact, following the logic of the BSC, if objectives have been identified correctly and properly categorized into the four perspectives of the BSC, arches tend to connect elements of the strategic map from the bottom up (from the Learning and Growth perspective to the Financial perspective).

This is because the logic behind the Balanced Scorecard is to represent how objectives established at the operative level (Learning and Growth perspective) contribute to the attainment of the management's own goals (Internal perspective), which in turn contribute to customers' satisfaction (Customers perspective), and finally to meet the shareholders' expectations (Financial perspective).

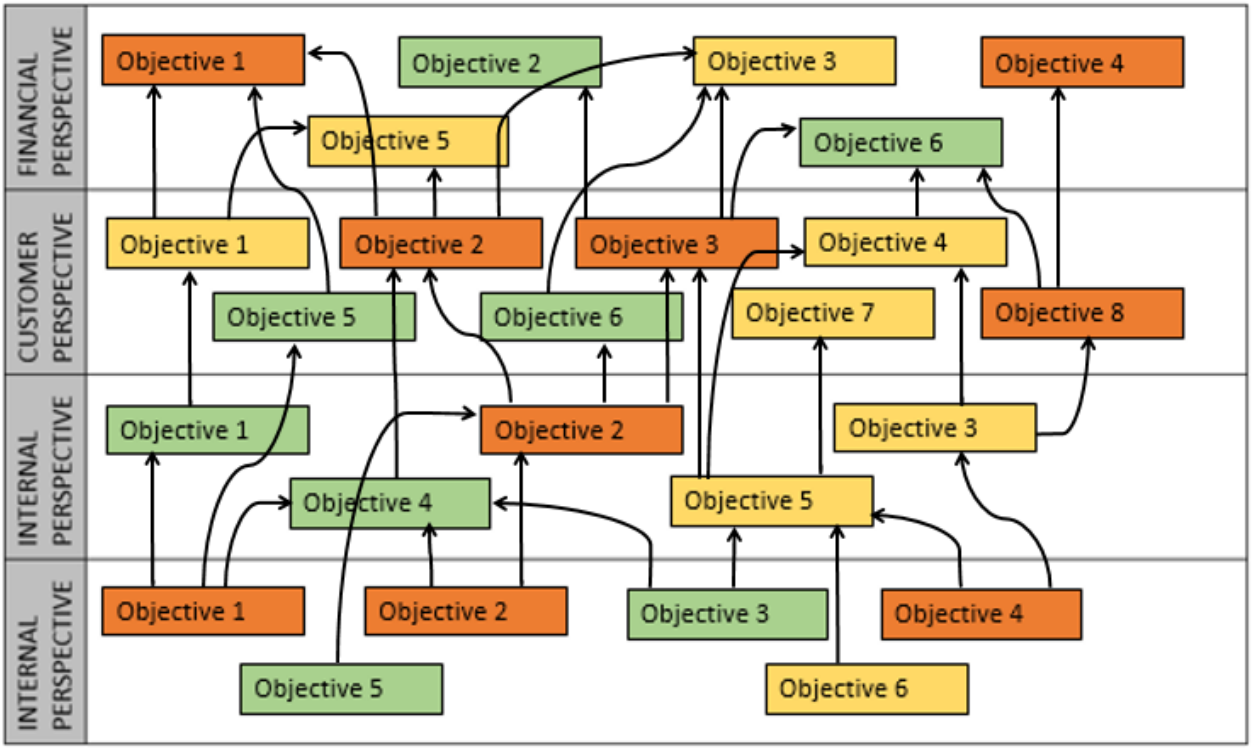



FIGURE 15: STEP 3 – REPRESENTATION OF RELATIONSHIPS BY MEANS OF ARCS

**Step 4**: Based on each element's level of priority and its number of incoming arches, the strategic map can be simplified in order to retain only the most important objectives.

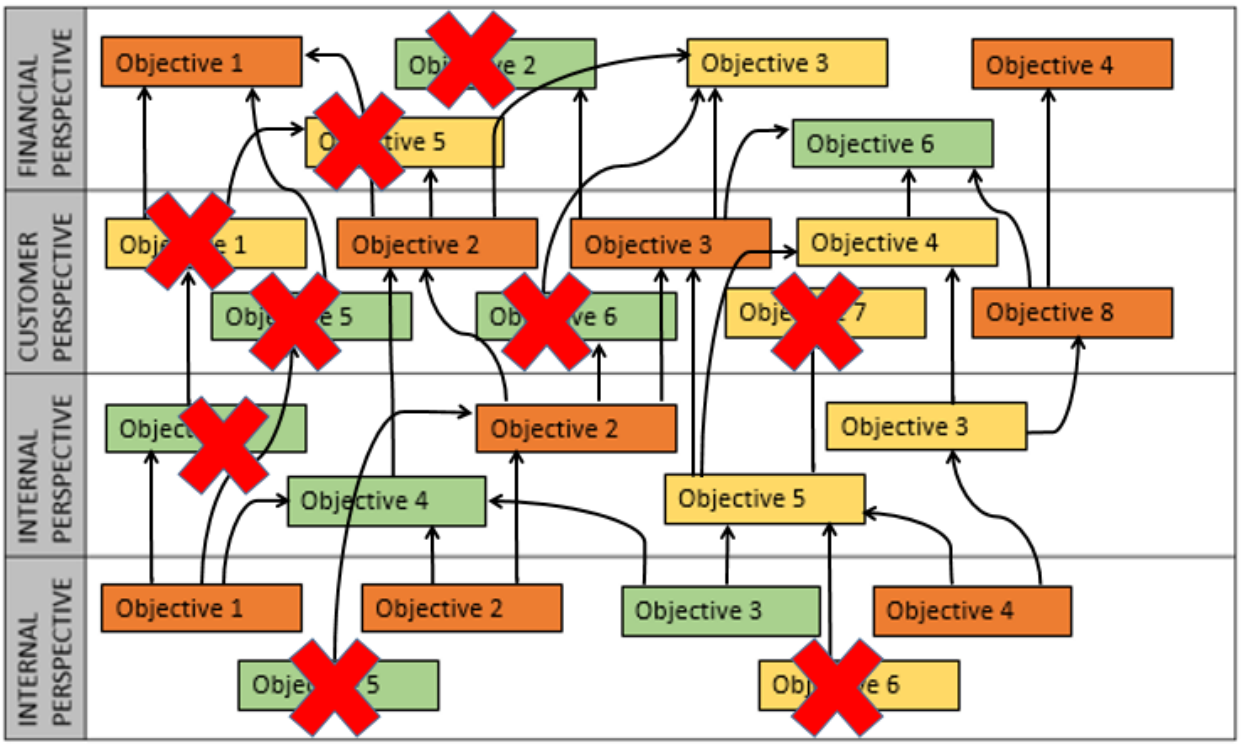



FIGURE 16: STEP 4 – SIMPLIFICATION OF THE STRATEGIC MAP

Below is the simplified version of the Strategic Map after the simplification.

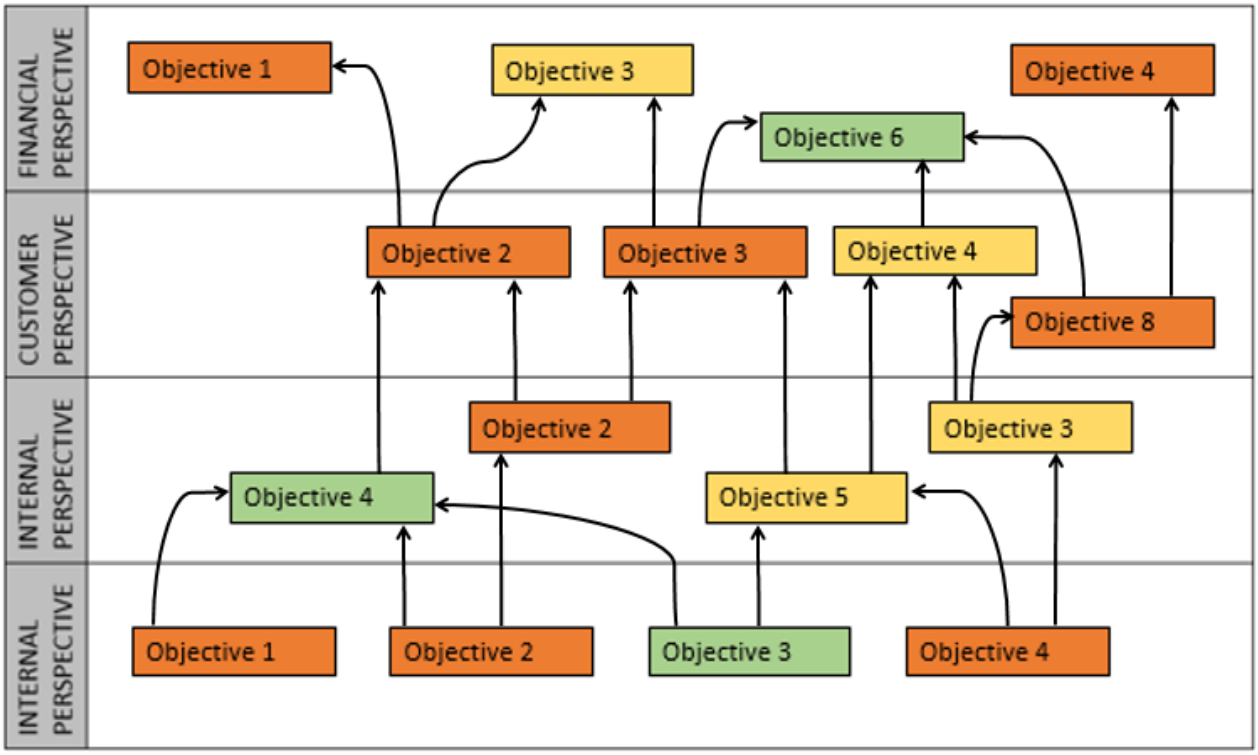



FIGURE 17: SIMPLIFIED VERSION

In this way it's possible to simplify the Balance Scorecard following two principles: by eliminating low priority nodes and the nodes presenting the least number of incoming arches. For example in the figure below the node with the most incoming arches in each perspective has been highlighted.

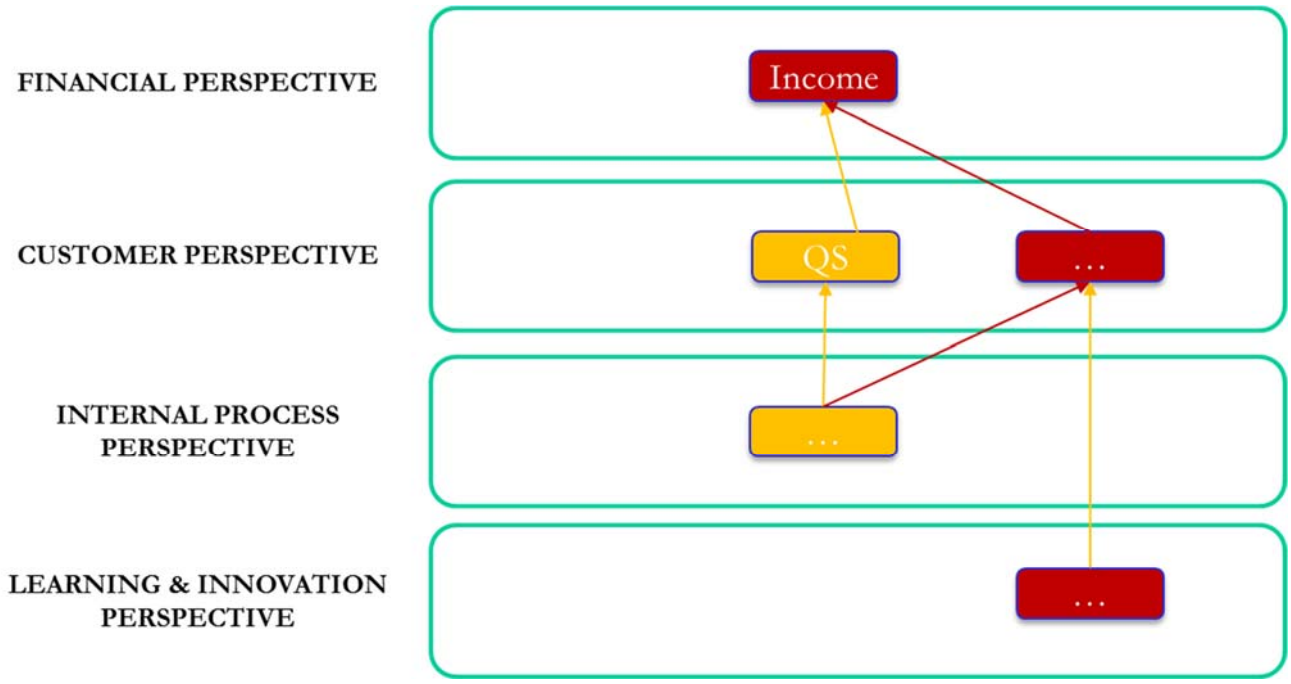



FIGURE 18: FINAL VERSION OF THE STRATEGIC MAP

### 4.3.4 Balanced Scorecard Tables

Starting from the objectives selected through the simplification of the Strategic map, the Balanced Scorecard can be built by identifying one or more variables for each objective and the respective performance indicators (there can be more than one indicator for each variable).

The final balanced scorecard is composed of four tables, one for each perspective, modeled on the table below:

TABLE 10: BALANCED SCORECARD TABLE

| **PERSPECTIVE_____** | | |
|---|---|---|
| OBJECTIVE 1 | Variable 1 | Performance indicators |
| | Variable 2 | Performance indicators |
| OBJECTIVE 2 | Variable 1 | Performance indicators |
| | Variable 2 | Performance indicators |
| OBJECTIVE 3 | Variable 1 | Performance indicators |
| | Variable 2 | Performance indicators |
| OBJECTIVE 4 | Variable 1 | Performance indicators |
| | Variable 2 | Performance indicators |

## 4.4 ICE diagram

The diagram Identify-Control-Evaluate (ICE diagram) is one of the tools used in the third phase of the GUEST methodology: the Evaluate phase.

The prerequisite for using this tool is the completion of the SWOT Analysis, described in the previous paragraph.

The document is a 3-column table where each column corresponds to one of three steps: identification, analysis and monitoring of the solution (see Figure 19: Diagram ICE):

1. The first column, called Identify, is used to define the opportunities and / or problems of the company;
2. The second column, called Control, is where to define the actions / solutions needed to take advantage of opportunities or to solve problems;
3. The third column, called Evaluate, is further divided into 3 sections. In the first section we define the Key point indicators (KPI) which are the business metrics used to evaluate the factors defined in the Control column. The second section defines the necessary economic resources to implement the solutions defined in the Control column. Finally, the third section defines a schedule for the actions' implementation.

This tool provides a clear and concise understanding of the business situation, necessary in developing the next phase, the Solution Canvas.

The ICE Diagram, of course, will be customized based on the profile and needs of the business customer and all the actions proposed will be prioritized. Define the priorities for action in the commercial field is critical for two reasons:

- The company's budgets often cannot cover all the actions proposed by the Consultant;
- During the implementation, the priorities will be a "security" for the consulting company that will not be able to manage all tasks simultaneously and will follow the order shown in the diagram.

The priorities will be defined in the Ice-Diagram assigning a different color depending on the priority level of the action:

- Red: Action with urgent priority;
- Orange: Action with intermediate priority;
- Green: Action with low priority.

The priorities for action will also be defined by observing the KPI: for example, if a KPI is common to most problems / opportunities, it will be invested more on its use in order to exploit the synergy that will result and, therefore, its actions will have urgent priority.

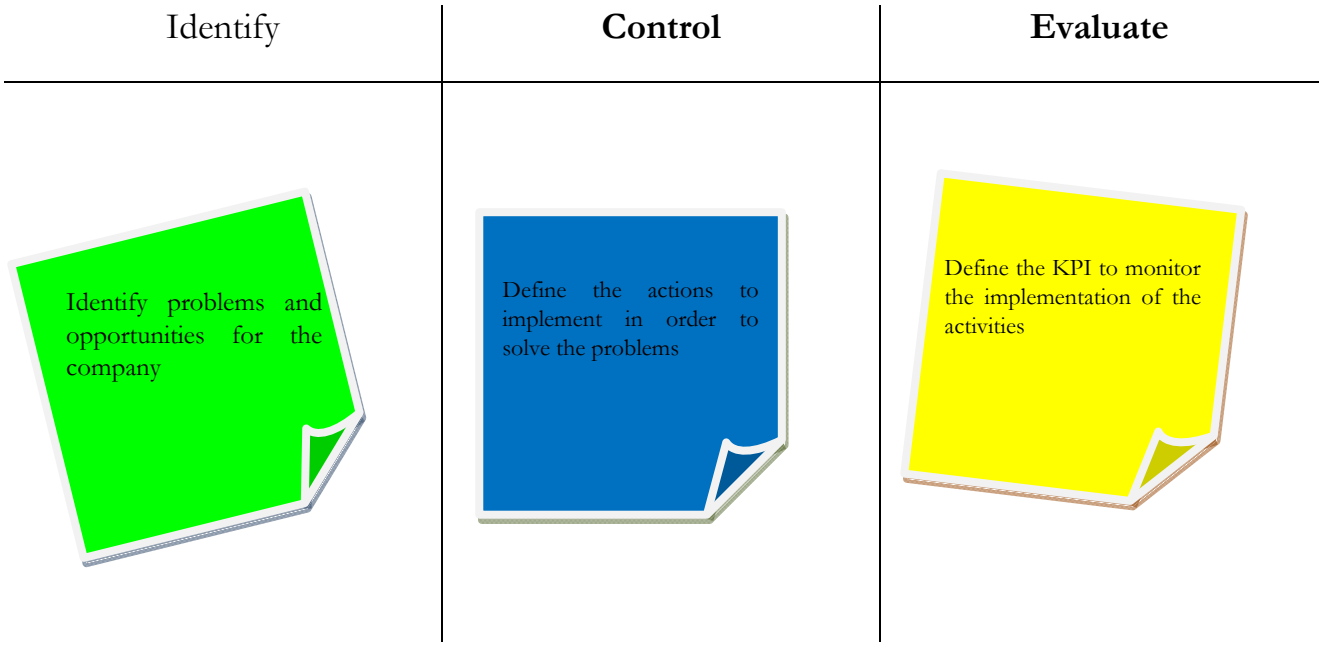



**FIGURE 19: ICE DIAGRAM**

The goal of the ICE diagram is to translate problems and opportunities into tangible actions to be implemented and continuously monitored through KPIs, keeping the company's context into account. This tool takes into consideration both financial and non-financial factors that are critical to the company's competitiveness and sustainability over time.

It's important to understand that the ICE Diagram is a generic document, therefore it includes all the solutions identified, for each of which the necessary resources and timing must also be indicated. This document will then be revised, selecting only the solutions and methods that will make up the Executive ICE-Diagram, which is the company's operational plan.

In the definition of the problems and opportunities the business has to be analyzed from different perspectives:

1. the customer perspective;
2. the perspective of internal management processes;
3. the perspective of learning processes and growth;
4. The financial perspective.

For each perspective, it is required to define the problems and opportunities of the company, listing the possible actions to be implemented and the related KPI, in order to standardize the process and facilitate the monitoring of the solution.

The elements to be considered in the ICE-Diagram refer to the parameters of the Balanced Scorecard (Kaplan et al; 2007).

The customer perspective focuses on the organization's performance as perceived by customers, based on the knowledge that if customers are not satisfied, they will find sooner or later other suppliers capable of meeting their needs. Poor performance from this perspective is an indication of a firm's future decline, even though the financial results look promising. Key indicators to be used are those able to measure the ability to meet the target market:

- Rate of customer loyalty;
- Degree of customer satisfaction;

- Acquisition rate of new customers;
- Profitability per customer;
- Market share, etc.

In the perspective of internal management, the processes that exert the greatest impact on value creation and consolidation of market relationships are analyzed and monitored, for example:

- The process of product innovation;
- The distribution process;
- The process of after-sales support.

The metrics to be used measure the efficiency and effectiveness of these processes, enabling managers to be aware of the business' performance at all times, and if the products and services meet the customers' needs.

The perspective of learning and growth considers the attitude of the organization and of its individuals to improve through continuous learning. Rapid technological and cultural changes that characterize the current socio-economic context require a continuous effort to improve those processes that create value for customers and shareholders. Useful indicators to measure learning and growth include:

- The degree of satisfaction and the retention rate of employees;
- The level of training and the degree of professionalism of the staff;
- The ability to transfer knowledge and the level of excellence in information systems.

The financial perspective, considers the economic and financial solidity of the company. Useful indicators to measure these aspects are classical financial indicators such as:

- ROE - Return on equity;
- ROI - Return on investment;
- ROS - Return on sales.

However, it must be understood that this tool will be customized based on the type of company dealt with, especially from the metrics' point of view. In fact it is important to identify the KPIs that better represent the company's operations and its value creation capacity. The collaboration with the client company, not just at the management level but also at the lower levels which are in direct contact with the problems or opportunities identified, should not be underestimated during this phase.

The strength of this tool is the overall view provided, in fact, considering all the critical operating parameters together, it's possible to easily realize if the improvement in a certain area is achieved at the expense of another; or if the improvement of a certain parameter impacts positively on other aspects identified within the analysis of problems and opportunities. This will generate a balance between all the elements and at the same time promote the improvement of those aspects which have a greater positive impact on the entire company.

In summary the benefits of the ICE diagram can be summarized as follows:

- Provides an overview of the performance of the company's activities;
- Facilitates communication and understanding of the business objectives and strategic choices at all levels of the organization;
- Constitutes a cognitive and operational base for the construction of the Solution Canvas;

- The information is clear and synthetic and can be easily processed by an IT system in order to create a historic record which can be consulted at any time by the Consultants.

# 4 Solve

The goal of the Solve phase is to present the Client with a document that summarizes in a single page the solutions which have been elaborated and are to be implemented inside the company.

There are 2 types of documents which can be used, integrated between them, depending on the recipient:

- Executive ICE-Diagram
- Solution Canvas

The Executive ICE-Diagram is the document that summarizes the operational plan which will be implemented in the company considering both the economic resources and necessary time for their implementation.

**ICE DIAGRAM**

| Identify | Control | Evaluate | |
|---|---|---|---|
| | | KPI | RES |
| **Problem x** | Action to implement | KPI 1x | 10K |
| **Problem y** | Action to implement | KPI 1x<br>KPI 2y | 50K<br>~~70K~~ |
| ~~**Opportunity z**~~ | ~~Action to implement~~ | ~~KPI 1z~~ | ~~30K~~ |

FIGURE 20: ICE DIAGRAM

**EXECUTIVE ICE DIAGRAM**

| Identify | Control | Evaluate | |
|---|---|---|---|
| | | KPI | RES |
| **Problem x** | Action to implement | KPI 1x | 10K |
| **Problem y** | Action to implement | KPI 1x<br>KPI 2y | 50K |
| **Cash Flow** | Action to implement | IN/OUT | |

FIGURE 21: EXECUTIVE ICE DIAGRAM

As shown in the figure 21 the Executive ICE Diagram is a subset of the ICE Diagram (figure 20), in which are maintained only the assets with higher priority and with the most interesting parameters (cost and time) as decided by the customer.

The Executive ICE Diagram, as shown in the figure, also includes the cash flow of the considered business activities. Actually, the monitoring of the cash flow has to be constant and continuous in order to control the budget that the company has available for the implementation of the operational plan.

The cash flow includes both the company's investments and any funds received.

The Executive ICE Diagram will be regularly updated on the basis of the activities' progress.

For commercial projects the use of this document is preferred to the Solution Canvas.

The Solution Canvas (SC) is an analytical tool used in the GUEST methodology with the intention of outlining the chosen solution, in order to apply it to the MACS considered. This document was inspired by the BMC, so that the different steps are the direct consequence of the previous methodology. If the BMC is the company 'as is', the SC is the company 'to be', focusing on the solutions that have been studied and designed thanks to the implementation of the previous step.

The SC is divided into 9 sections, like the BMC:

2. **Decision makers:** identifies who makes the decisions listed in the solution presented, their hierarchy and possibly the timing;
3. **Constraints:** the actions necessary to implement the solution are detailed in this section, how they will be carried, their target and any technological constraints;
4. **Decisions**: this section lists the decisions taken and to be implemented, specifying their characteristics, any hierarchy and methods of implementation;
5. **Information / Resources**: indicates the source of the information that led to the solution chosen. In this section is also specified the level of detail of the information available and the level of uncertainty, as these two elements have a direct impact on the final objective;
6. **Users / DM Report:** it describes the relations that exist between those who took the decisions and who will make use of them;
7. **Users:** indicates the stakeholders involved in the solution, those who will benefit from the solution implemented. Users play a vital role, just like the one covered by the Customers in the BMC. Change in a business context is a very sensitive factor that must be managed with care and competence. Users, in this case, are the protagonists of change and therefore will have to be fully involved in the process, guided and supported by decision makers to avoid dangerous phenomena of resistance at the corporate level;
8. **Channels**: it defines the channels through which different actors are informed of the change due to the solution chosen and the channels through which the solution is implemented;
9. **Goals:** explicit objectives to be achieved thanks to the solution defined on the basis of KPIs identified in the previous Evaluate phase;
10. **Costs:** in this section must be listed the set-up costs to implement the proposed solution and its maintenance costs. It is also important to stress negative and / or positives effects on other business aspects. In this section, we will also be introduced the 'no cost' solution, or the negative impact that the company would incur not implementing the such solution.

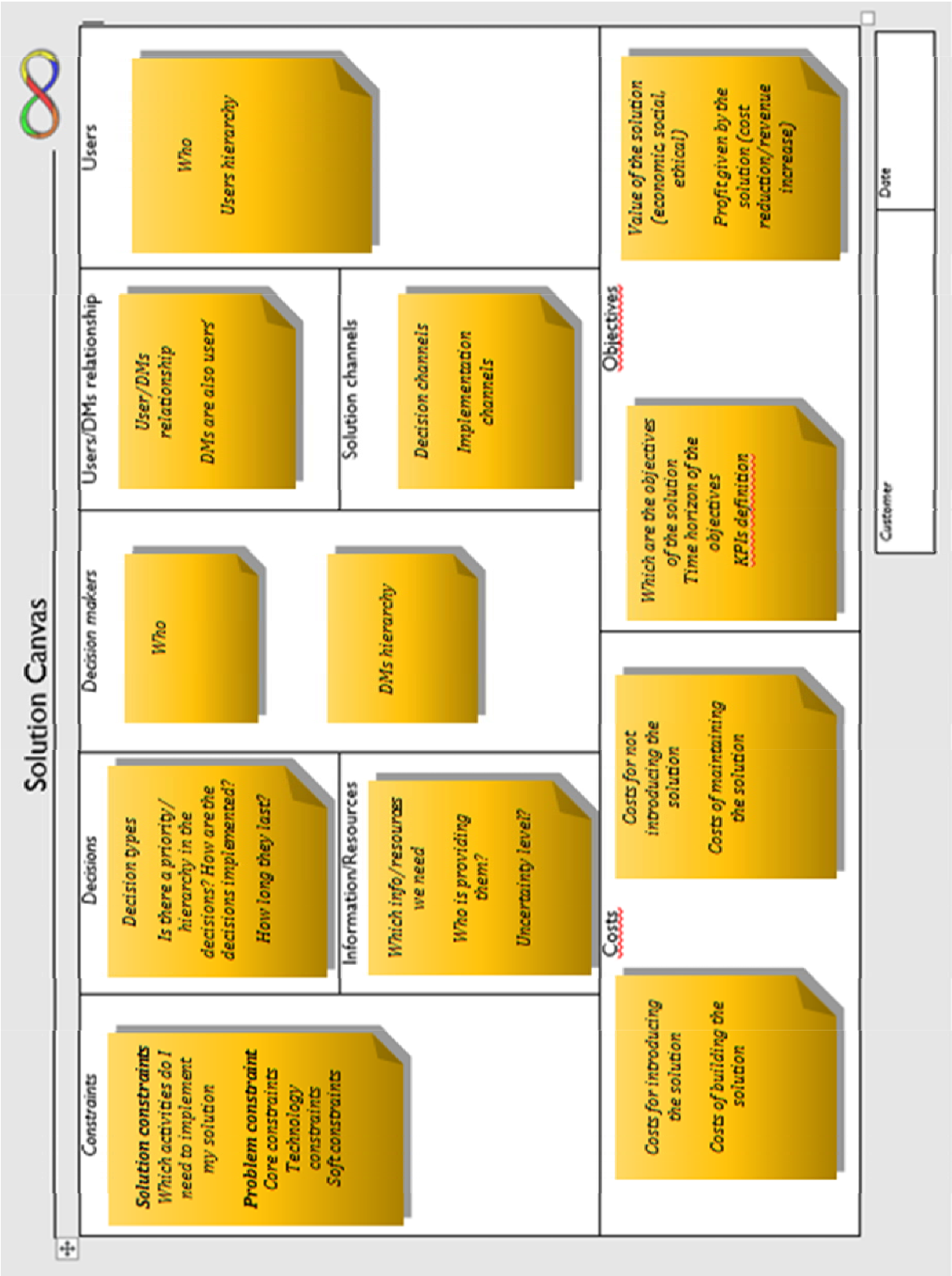



FIGURE 22: SOLUTION CANVAS

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