

Strategic Management and Business Policy I

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Course & Class Information

Course: Strategic Management and Business Policy I

Program: Bachelor's Program

Credits: 4 ECTS

Mode: Onsite / Blended

Class 9: Business Models, Corporate Responsibility, and Policy Alignment

Instructor: Dr. Leul Girma

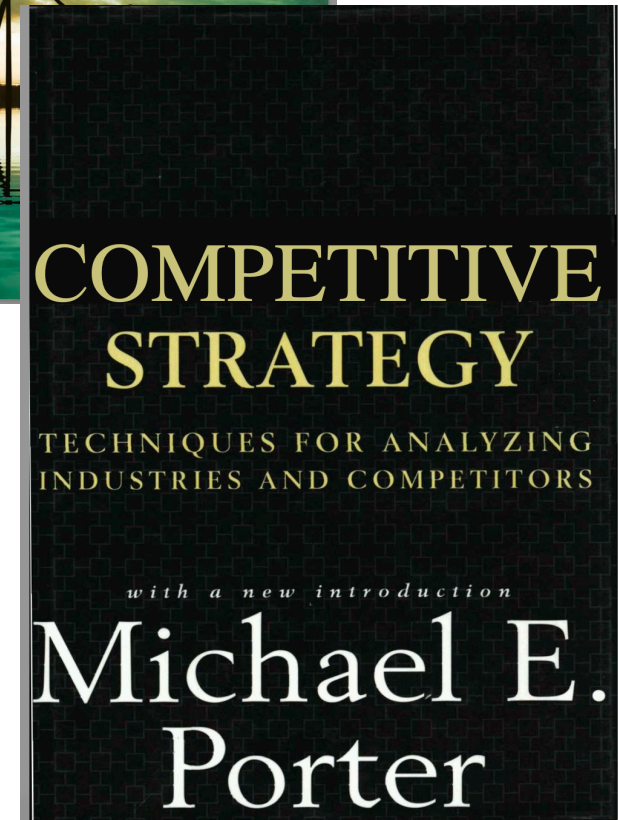
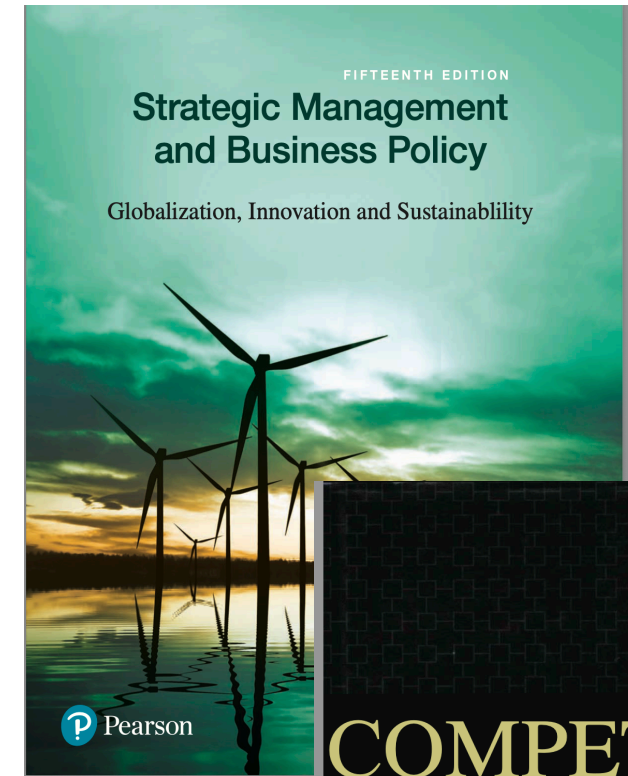
Main Teaching & Learning Materials

Books

- Mastering Strategic Management.
- Strategic Management and Business Policy

Business Policy resources

- Company annual reports
- Public corporate governance codes and policy guidelines
- Instructor-provided case materials



Objective and Learning Outcomes

Objective:

To examine how **business models create and deliver value**, and to understand how **corporate responsibility** and policy frameworks **influence the design and governance of business models**

By the end of this class, students will be able to:

- Explain the structure and purpose of the Business Model Canvas
- Identify and analyze the nine components of a business model
- Evaluate how organizations create and capture value through business models
- Discuss the role of corporate responsibility and sustainability in business model design

Understand the Business Model

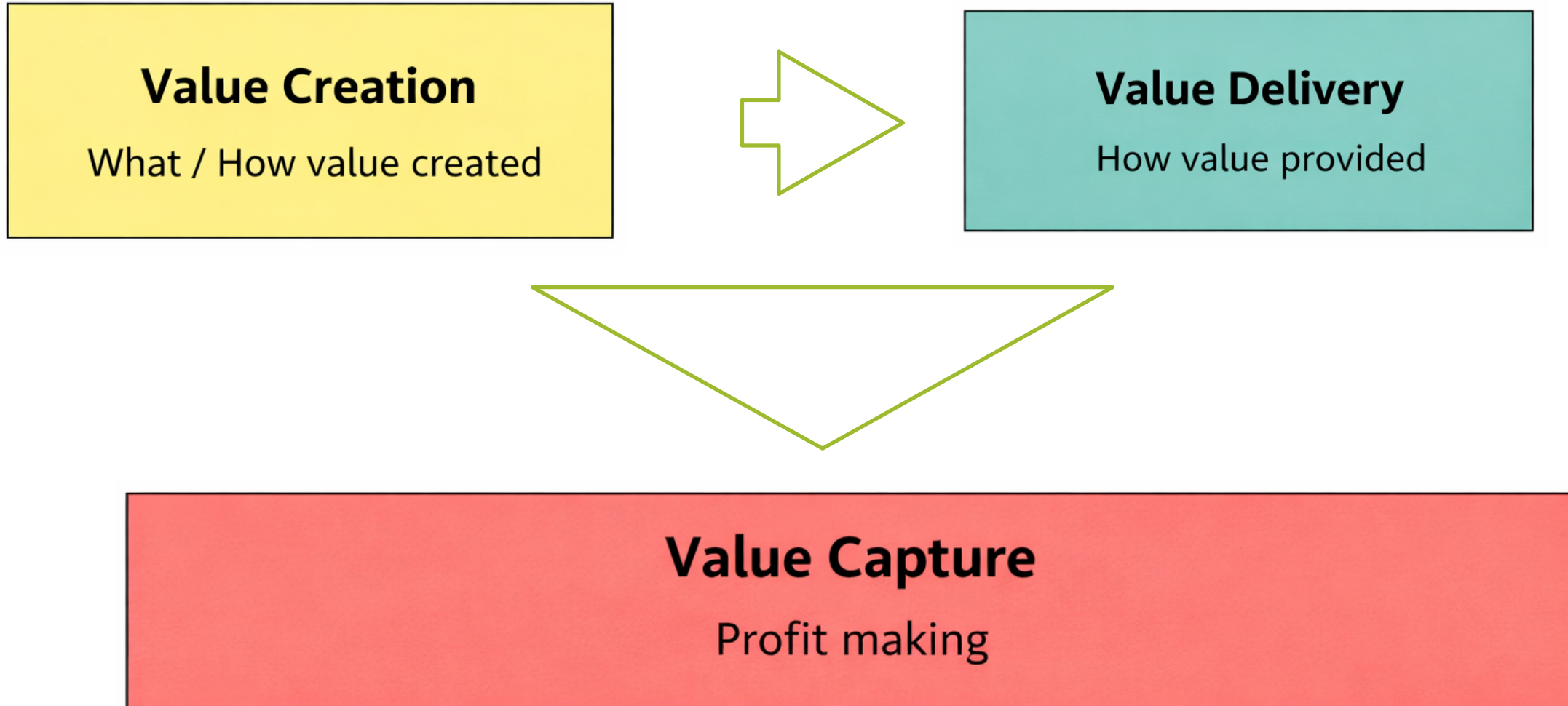
What Is a Business Model?

A business model describes **how an organization creates, delivers, and captures value** through **its activities, resources, and relationships** with customers (Osterwalder & Pigneur, 2010; Johnson et al., 2020).

Conceptual Foundations:

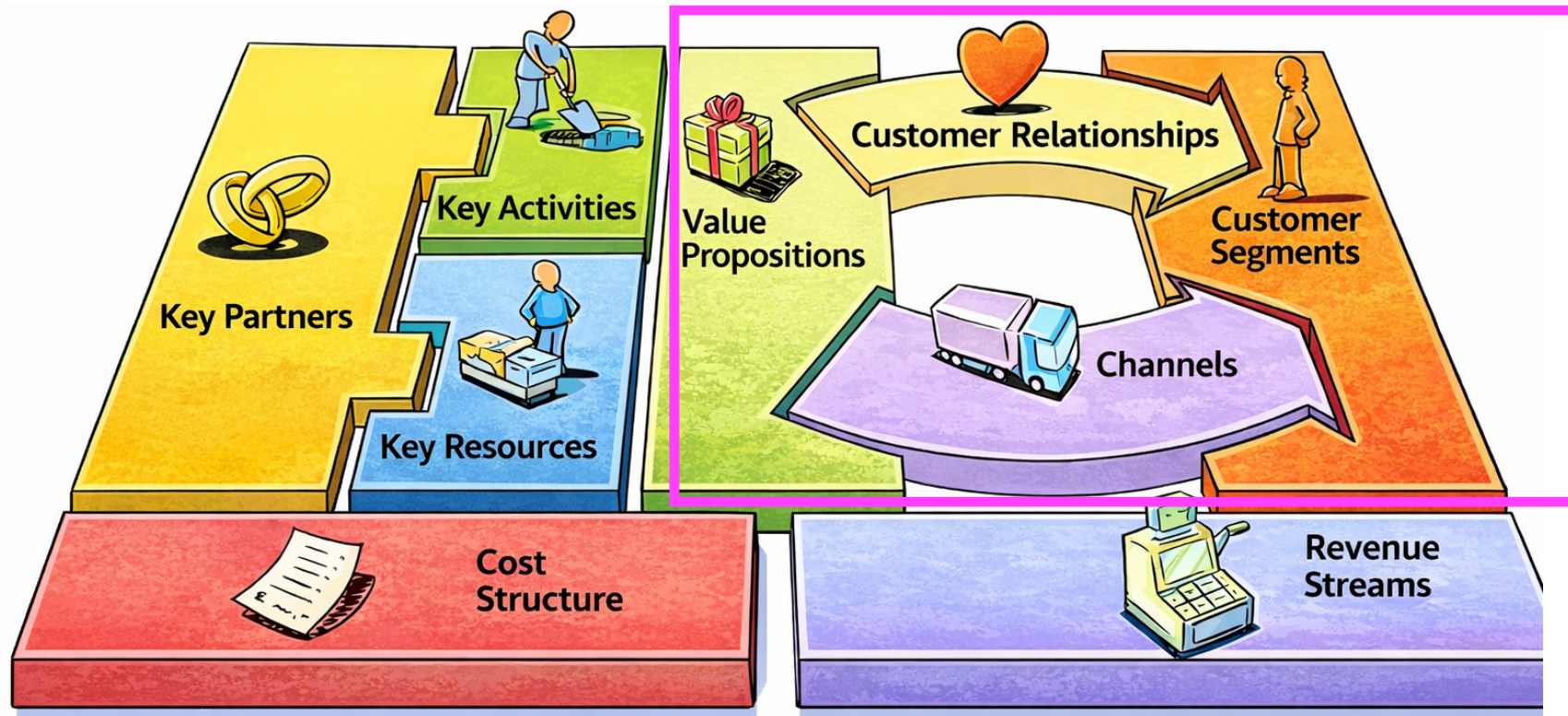
- Firms create value by **combining resources, capabilities, and activities**.
- It also explains **how the organization captures revenue**.
- **A strong** business model supports **long-term competitive advantage**.

The Logic of a Business Model



Core Components of a Business Model

The Business Model Canvas is a framework used to analyze and design **how organizations create, deliver, and capture value** through **nine interrelated building blocks** (Osterwalder & Pigneur, 2010).



1.Customer Segments

Customer segments represent the different groups of customers or organizations that a company aims to serve with its products or services (Osterwalder & Pigneur, 2010).

Key Points:

- Clear segmentation
- Mass, niche, business
- Which groups create the most value.



Key Challenges:

1. Identifying the Right Segments
2. Understanding Customer Needs
- 3.Data Availability and Quality
- 4.Segment Prioritization
5. Market Changes

2.Value Proposition

The value proposition explains the **specific value a company offers to customers** and **why they choose its product or service over competing alternatives** (Osterwalder & Pigneur, 2010; Johnson et al., 2020).

Sources of Value:

1. Cost Advantage
2. Differentiation:



Key Challenges :

1. Lower production or operating costs **than competitors**
2. Unique offer that increase customer **willingness to pay**

3. Channels

Channels describe **how a company communicates** with customers and **delivers its value proposition to the market** (Osterwalder & Pigneur, 2010).

Examples

- Online platforms
- Mobile applications
- Physical stores
- Distribution partners



What Value will added

1. Economic?

- (Low price)

2. Performance?

- (Convenience)

4. Customer Relationships

Customer relationships refer to the **types of interactions a company establishes** with customers in order to **acquire, retain, and develop them over time** (Osterwalder & Pigneur, 2010; Johnson et al., 2020).

Relationship Types:

- Personal assistance
- Self-service
- Automated service
- Communities
- Subscription relationships



Key Challenges:

1. Attracting new customers and creating initial engagement
2. Maintaining long-term relationships and reducing customer churn.
3. Increasing customer value through repeat purchases, loyalty, and deeper engagement.

5.Key Resources

Key resources are **the most important assets required** for a company to **make its business model work effectively and competitively** (Osterwalder & Pigneur, 2010).

Key Resources must be :

- Valuable
- Rare
- Inimitable
- Organized



Key Challenges:

1. Does the resource create value?
2. Is the resource scarce among competitors?
3. Is it difficult for competitors to copy?
4. Is the firm organized to exploit the resource?

6.Key Activities

Key activities are the most **important actions that an organization must perform in order to operate successfully and deliver** its value proposition (Osterwalder & Pigneur, 2010; Wheelen et al., 2018).

Examples:

- Product development
- Platform management
- Marketing Production
- Customer support



Key Challenges:

1. Operational efficiency while controlling costs
2. Play beyond resource limitations
3. Aligning departments effectively
4. Adaptation of activities and processes
5. Maintaining Quality and Consistency

7. Key Partnerships

Key partnerships refer to **external organizations and networks** that support the firm **in operating its business model and reducing cost or risk** (Osterwalder & Pigneur, 2010; Wheelen et al., 2018).

Reasons for Partnerships:

- Access to specialized resources
- Cost reduction
- Risk sharing
- Access to technology



Key Challenges:

1. Find partners share the same goals and expectations
2. Trust and relationship stability
3. Great quality of coordination and communication
4. The degree of rely on one partner

8. Cost Structure

Cost structure describes **the major costs involved in operating** the business model and **delivering the firm's value proposition** (Osterwalder & Pigneur, 2010).

Major Cost Categories:

- Technology and infrastructure
- Marketing and sales
- Employee salaries
- Content or production
- Distribution and operations



Key Challenges:

1. Rising operational costs
2. Maintaining quality while reducing costs
3. Balancing efficiency and innovation
4. Supply chain disruptions

9. Revenue Streams

Revenue streams represent **how a company earns money from each customer segment** (Osterwalder & Pigneur, 2010).

Common Revenue Models :

- Subscription fees
- Asset sales
- Licensing
- Advertising
- Usage fees



Key Challenges:

1. Customers willing to pay the proposed price
2. Revenues predictable and sustainable
3. Which model generates the most value
4. How competition affect revenue potential

In class activity : Business model

Case: Netflix Business Model

Netflix operates globally in the digital streaming industry, providing on-demand movies and series through an online platform. The company targets global streaming audiences, offering on-demand entertainment and personalized recommendations that users access through smart TVs, mobile apps, and web platforms. Netflix maintains subscription-based user interaction and personalized experiences, generating income primarily through monthly subscription payments. To deliver its service, Netflix relies on its digital platform, content library, brand, and data analytics systems. The company performs content production, licensing, and platform management, while collaborating with film studios, production companies, and technology providers. These operations require major spending on content production, technology infrastructure, and global marketing.



Discussion Questions

1. Who are Netflix's main **target users**? How we call that in the canvace?
2. What **benefits or solutions** does Netflix provide? Which component related with this?
3. Through which **platforms or technologies** do customers access Netflix services?
4. How Netflix maintain relationships with its users? Is it encourage continued engagement?
5. How does Netflix **generate income, why is this model effective**?
6. What **important assets or capabilities** allow Netflix to operate successfully?
7. Which **main activities** must Netflix perform to maintain it's grow?
8. Which **partners** support Netflix in delivering its services?
9. What are the **major expenses** Netflix must manage to sustain its operations?
10. Netflix's business model supports **long-term competitive advantage**? Why or why not?

Key Takeaways

- A **business model** explains how a company **creates, delivers, and captures value**.
- The **Business Model Canvas** helps visualize and analyze the **nine key components** of a business model.
- Each component plays a role in connecting **customers, activities, resources, and financial outcomes**.
- Organizations must ensure alignment between **value creation, value delivery, and value capture**.
- Effective business models support **strategic positioning, competitive advantage, and sustainable profitability**.
- Real-world examples, such as Netflix, demonstrate how companies integrate these components to **operate and compete in dynamic markets**.

Further reading

- Osterwalder, A., & Pigneur, Y. (2010). *Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers*. Wiley.
- Johnson, G., Scholes, K., & Whittington, R. (2020). *Exploring Strategy* (12th ed.). Pearson.
- Wheelen, T. L., Hunger, J. D., Hoffman, A. N., & Bamford, C. E. (2018). *Strategic Management and Business Policy: Globalization, Innovation, and Sustainability* (15th ed.). Pearson.
- Teece, D. J. (2010). Business models, business strategy and innovation. *Long Range Planning*, 43(2–3), 172–194.
- Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120.
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Thank you



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