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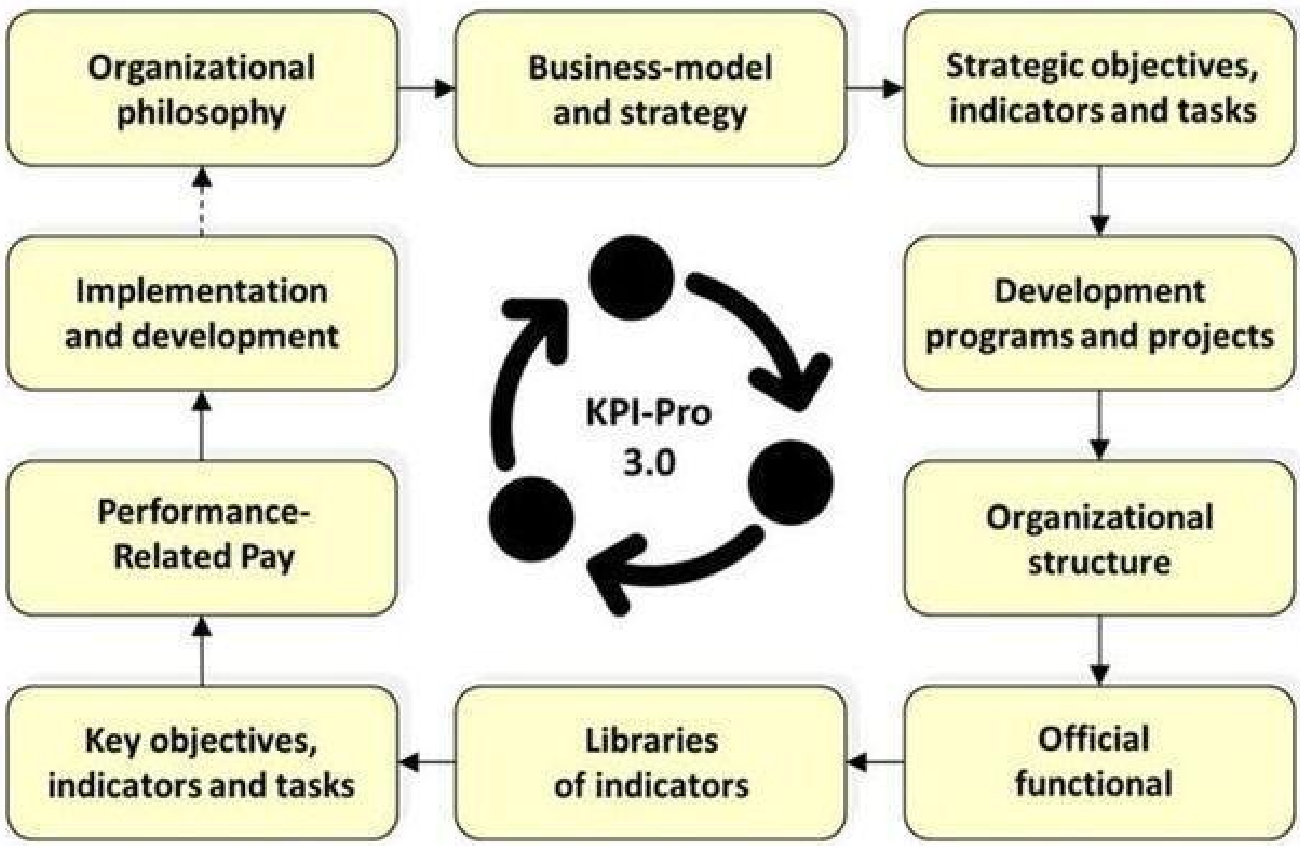
Oleg Kulagin

MANAGEMENT BY OBJECTIVES AND TASKS

Company transformation using KPI-Pro technology

A Methodological Guide for Successful Managers



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«Издательские решения»

Kulagin O.

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This book describes KPI-Pro technology — professional technology of goal management, which includes a number of stages from developing an organizational philosophy to setting key employee tasks and performance-related pay. Using KPI-Pro technology allows you to transform your enterprise management system and build a goal-oriented company with a culture of success and focused on achieving ambitious strategic business goals.

Содержание

Management by Objectives and Tasks
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Oleg Kulagin

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Introduction

What is a goal-oriented company? This is a company in which:

1) there is a vision for the future, and all employees know, understand, and share it; a strategy has been developed to move towards this future;

2) strategic and tactical goals have been formulated, continuous monitoring and control of key enterprise and employee indicators, operational analysis of deviations, and management decision-making are carried out;

3) employees understand not only their duties, but also the goals of their work, and do everything necessary and sufficient to achieve them; all people's thoughts and actions are focused on obtaining results;

4) purposefulness, efficiency, productivity, ambition, innovativeness, proactivity, and development have become the values of the corporate culture and a habit in the work behavior of the staff.

This is the dream of many managers. However, this is an ideal picture that is difficult to achieve for most modern companies. But getting closer to this dream is already something, and that's a good thing. To do this, you can use both well-known and less well-known tools and techniques for goal management, which are combined into a ten-step KPI-Pro system technology.

The top of the iceberg in KPI-Pro technology is the use of a Key Performance Indicator (KPI) system. It is important to note that in recent years, many managers and some management experts have developed certain prejudices and stereotypes regarding KPIs. Moreover, they are often actively imposed on us by spreading far-fetched myths and disinformation in order to promote another three-letter "magic pill" to the market of management technologies.

In short, the main of these **myths** are as follows:

1. KPIs are metrics designed only to measure the effectiveness of regular processes, and not to manage change and implement a company's strategy.
2. KPIs are focused exclusively on financial performance and do not contribute to increasing customer satisfaction or creating value for clients.
3. KPIs are developed locally in different parts and divisions of the organization and are not coordinated with each other or with the goals of the enterprise.
4. KPIs are intended solely for material incentives and calculation of pay based on work results.
5. KPIs are developed by order and are rigidly imposed on employees by cascading from top to bottom.
6. KPIs are used for operational planning of operational activities, rather than for setting ambitious and difficult-to-achieve development goals.
7. KPIs do not provide the necessary focus on the most important work results.
8. KPIs are "set in stone", it is a rigid and inflexible technology that slows down the development of the organization.

All this is not true. It can be said that in these myths, erroneous and even vicious practices of using KPIs are consciously or unconsciously attributed to the very nature of KPIs. Similarly, it can be argued that a chainsaw or a jackhammer are unsuitable and ineffective tools, since they can cause injury or even… Yes, with the help of KPIs you can also cripple or even destroy your organization if you use them incompetently and only in line with the mythology mentioned above.

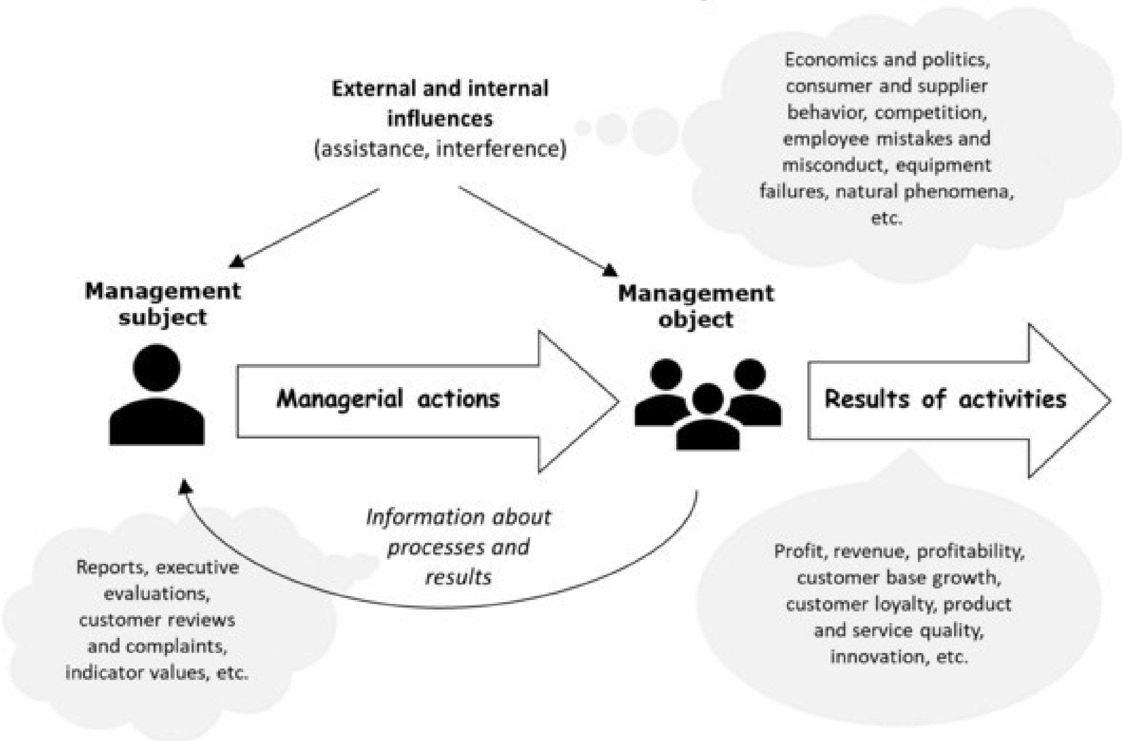
The KPI-Pro technology is free from the listed stereotypes, errors and prejudices. The **truth** is that:

1. KPIs are designed not only to measure operational performance, but also to manage change, innovative projects, and the implementation of a company's strategy.
2. KPIs are primarily aimed at the interests and goals of clients, both external and internal.
3. KPIs are linked into a coordinated and balanced system that ensures the achievement of the company's goals.
4. KPIs are not intended for remuneration, but for identifying and analyzing company problems, discussing their causes, managing employees and making various management decisions.
5. KPIs are developed both top-down and bottom-up through discussion and agreement on key objectives between managers and employees.
6. KPIs can be used to set ambitious, inspiring and challenging goals.
7. KPIs focus attention and other resources on achieving a small number of the most important results.
8. KPI system is a flexible system that can quickly restructure and adapt to changing situations in the external or internal environment of an organization.

But the KPI system is not the only tool for goal management. And it is not an end in itself, but just a means for setting specific, measurable, agreed upon, realistic and time-bound strategic and operational objectives for the company, departments, project teams and employees, as well as measuring and monitoring key performance results, feedback, decision making and moving towards business success.

Chapter I. BASICS OF MANAGEMENT BY OBJECTIVES

1.1. How does the management system work?



Let's start from afar. In the most general and simplified form, the organization's management system can be represented as a combination of two subsystems: the subject of management and the object of management.

The ***subject of management*** is the managers of different levels: from the general director to the heads of structural divisions (departments, workshops, sections, teams, etc.).

The ***object of management*** is employees who are responsible for certain work processes and their corresponding performance results.

To achieve these results, managers send information ***control actions*** to employees in the form of assignments (orders, requests, etc.), rules (plans, instructions, regulations), objectives and tasks, values, and any other information affecting the object of management. And in this book, we will be most interested in objectives and tasks as one of the possible ways to manage a company. At the same time, we will understand *the* ***objectives*** as qualitative directions of movement or development of the organization and ***tasks*** are like "digitized" objectives tied to the cost of resources and time. But more on that later.

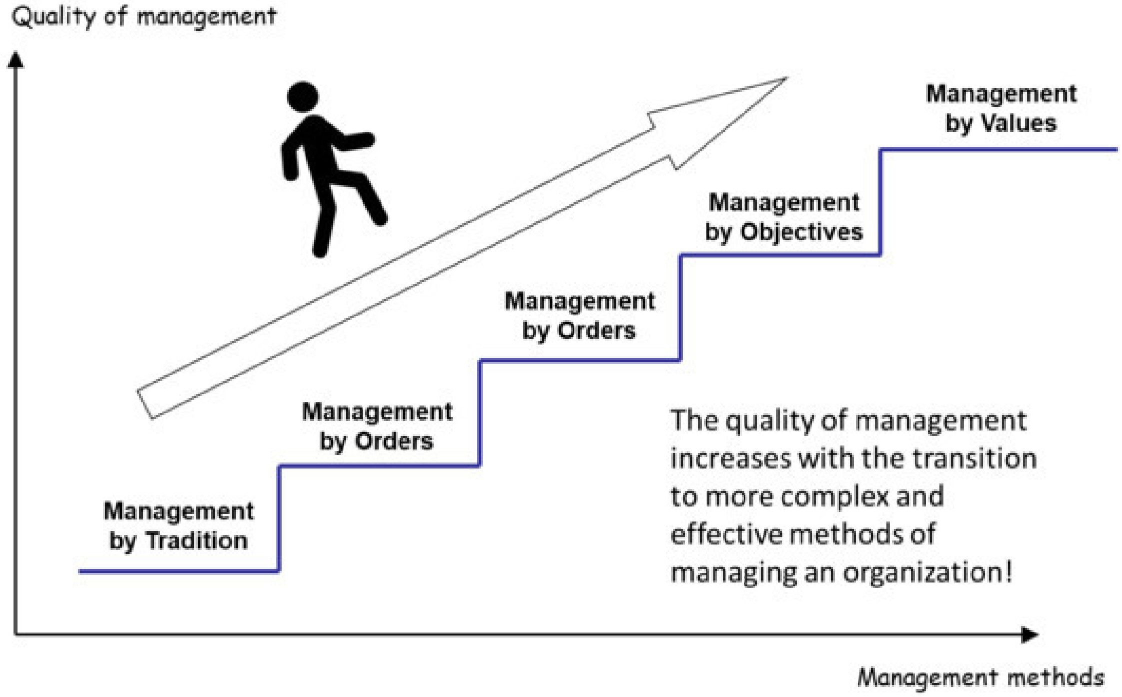
Thus, control actions are information. And this information can be conveyed in a variety of ways: orally/in writing, verbally/non-verbally, explicitly/implicitly, personally/publicly, etc. By implementing these actions, employees perform ***labor actions*** (work processes) and obtain certain ***results*** (financial, market, production, etc.) that are important for external or internal clients.

Information about the results in one form or another (in the form of reports, indicator values, customer reviews, etc.) is transmitted to the subject of management, where it is processed, and decisions are made (if necessary) to adjust control actions in order to eliminate undesirable deviations from planned results (negative feedback) or enhance desirable ones (positive feedback connection).

Then the management cycle repeats. And so it is constantly as long as the organization lives and thrives. And if the management processes are of high quality and high efficiency (which, as you understand, are not the same thing), then your organization will live long and happily.

Depending on the control actions used, several management methods are used simultaneously in any management system, but one of them is the main one, depending on the prevailing corporate culture and the level of maturity of the organization. Let's consider them below.

1.2. Five management ways



There are five basic management ways, depending on WHAT acts as the key control actions in the organization. These ways correspond to the different types of culture described in the Spiral Dynamics model.

Management by Tradition is the first step, corresponding to the “Culture of Belonging”. Management in such organizations is based on tradition and habits. The main principle is: “we have always worked this way”. As it happened, so it happened. There is no formalization. There is no strategy.

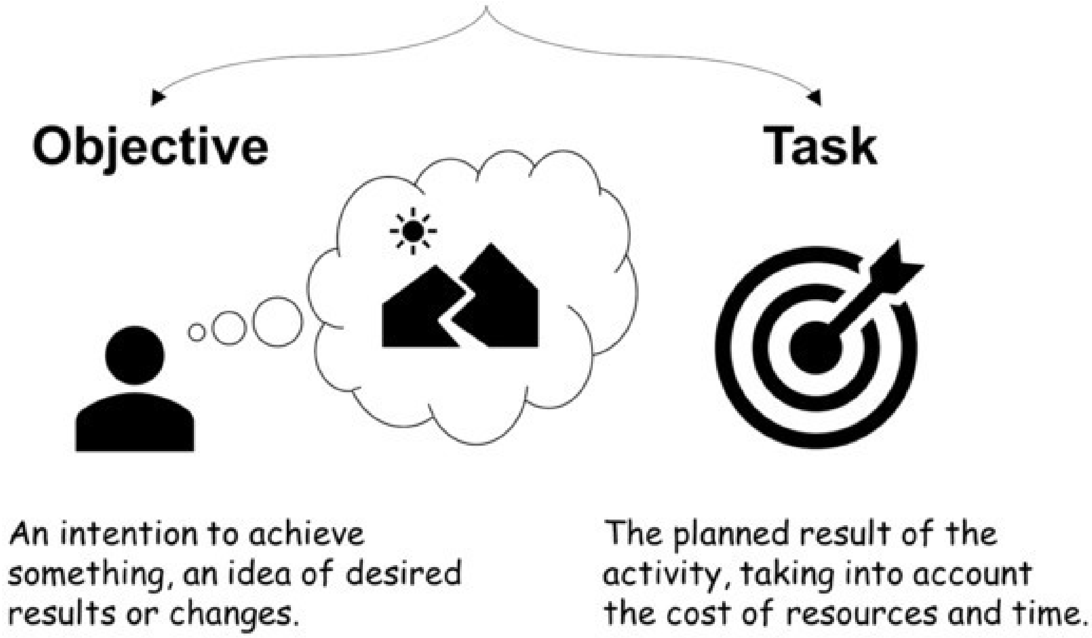
Management by Orders is the second step (“Culture of Force”). At this level of management, managers work in the “manual control” mode, giving employees numerous orders (assignments, requests) and monitoring their execution.

Management by Orders is the management of an organization based on pre-developed and agreed upon rules for performing work and relationships within a team (“Culture of Rules”). Practically, when using this way, the organization describes and optimizes business processes, develops regulations and standards, implements planning procedures, forms an organizational structure, creates various regulatory documents (on divisions, etc.) and, of course, much-loved job descriptions.

Management by Objectives is a way of management based on clearly setting objectives and monitoring their achievement (“Culture of Success”). You need to be aware of your objectives, and not just guess about them or somehow feel them. Awareness of the objectives increases the probability of its achievement. And only then, under a correctly formulated objective, we create or attract the necessary resources and organize the process of its achievement. This is the logic of management by objectives. We will consider all practical tools and technologies of management by objectives later in this book.

Management by Values is the highest level of management. At this level, we are talking about the formation and development of corporate culture. As the saying goes, if we don't manage culture, culture will manage us. And culture is based on values. Values are always important, but management by values is becoming the dominant way of management in a "Culture of Possibilities" focused on flexibility, innovation and the exploitation of opportunities. In practice, the tools of value-based management include developing the company's mission and ideology; development of informal rules of labor and relations, enshrined in the corporate code; the introduction of organizational habits (traditions, customs, rituals); the daily use of a variety of managerial attitudes that form the desired norms of behavior.

1.3. What are objectives and tasks?



Since this book is called "Management by Objectives and Tasks", it is important to immediately agree on the concepts of "objective" and "task", which we will actively use in the future.

So, any organization is created to achieve its objectives. And management by objectives, as a management technology, begins with the awareness and formulation of the company's objectives. This is not disputed by anyone. But what exactly is a goal?

Different people understand objectives differently. In management practice, I can identify two approaches to defining objectives.

The first approach: *the objective is understood as the direction of desired changes or an idea of some desired state of the organization*. For example, maximize profits, increase sales, reduce costs, increase productivity, reduce staff turnover, become a market leader, etc. In this formulation, the objective is defined as a certain vector, i.e. the direction of movement, but it does not specify at what moment and under what conditions the objective is achieved. And this is how, most often, objectives are formulated by managers at the initial stage of objective setting. After all, in order to understand what we plan to achieve, we must first understand what we want in principle, in which direction we should move and develop. Objectives in this form are defined as intentions. And they are formulated qualitatively, in words. We can say that objective setting begins with intentions. From now on we will simply call them objectives. But objectives are the basis for setting tasks. The second approach: the goal is understood as the planned result of the activity.

The second approach: *the objective is understood as the planned result of the activity*. In this case, the objective statement specifies the specific useful effect we are striving for and the required or acceptable expenditure of resources and time to achieve it. For example, increase revenue by 5% next month, increase customer satisfaction to 85% within a year, complete all project works on time, etc. We will call such objectives tasks. Thus, tasks are formulated on the basis of objectives. And one quality objective can be formalized in the form of one or several tasks. In other words, tasks are "digitized" and time-bound objectives. And it is to setting tasks (not objectives) that we can apply the well-known SMART rules.

So, objectives are formulated qualitatively with the help of words, and then they are "digitized" in the form of tasks. Tasks are not actions or works, as they are often understood. For example, when a manager assigns a task to a subordinate, what does he need from him? For the subordinate to perform some action or achieve a certain result? That's right, the manager needs a result, not an action for the sake of an action. But this is a result that has not yet been achieved, but planned. Therefore, tasks are also objectives! But objectives that are specific, measurable, agreed upon, realistic and time-bound.

1.4. Rules for setting tasks

SMART methodology

The tasks should be:

- **Specific** = clear, unambiguous, understandable.
- **Measurable** = quantifiable or qualitative.
- **Agreed** = with other tasks.
- **Realistic** = provided with resources.
- **Timebound** = completed by a certain deadline.

Examples of smart tasks:

1. Increase profitability of sales by 5% within a year.
2. During the first quarter, reduce operating expenses by 12%.
3. By the end of the year, increase customer satisfaction by 10%.
4. Reduce internal defect rate by 15% over the next quarter.
5. In two weeks, develop 10 job descriptions in accordance with the requirements of the standards.
6. Complete all preparatory work for the industry exhibition in three days in accordance with the project schedule.

As we will see later, setting tasks based on key objectives and key performance indicators is the main procedure in the KPI-Pro technology. Therefore, it is appropriate and useful to recall the rules for setting tasks using the SMART methodology. These rules are used specifically for tasks, but not objectives. We have already found out what the difference is between them. But how this abbreviation is not deciphered! It's different for everyone. For example, the letter A is often interpreted as "achievable" and the letter R as "realistic." But aren't they the same thing? There are other oddities in the interpretation of SMART. I will give the correct interpretation, in my opinion.

The first rule. Tasks should be **Specific**, i.e. clear, unambiguous and understandable. The task should be formulated in simple language, and it is useful to make sure that the employee understands it correctly.

The second rule. The tasks should be **Measurable**. To evaluate the performance of a task, it is necessary to be able to measure the result obtained — quantitatively or, at least, qualitatively. Everything seems clear with quantitative assessment. For this, we use quantitative indicators (or metrics). For example, profit, revenue, turnover period, share of defects, logistics cycle, etc. If it is impossible to measure the result quantitatively, then it must be assessed based on qualitative indicators.

The third rule. The tasks must be **Agreed**. Firstly, here we are talking about the task being agreed upon between the employee and the manager. Secondly, organizational tasks must be aligned "horizontally". That is, the tasks of related departments and employees should complement each other, and not duplicate each other. In other words, a system of agreed tasks must be created to ensure the achievement of the overall goals of the organization.

The fourth rule. Tasks should be **Realistic**, i.e. achievable and resourced. But being realistic does not mean that the tasks should be simple. They should be intense, and sometimes ambitious, and require extra effort from the performers.

The fifth rule. Tasks must be **Time-bound**, i.e. completed by a certain point. At least approximately, but better precisely. And, of course, the time reference should not contradict the previous rule. There should be enough time.

In general, before formulating any management task, it must first be “tested” using the SMART rules. Over time, this will become a habit and an important management skill and practical tool.

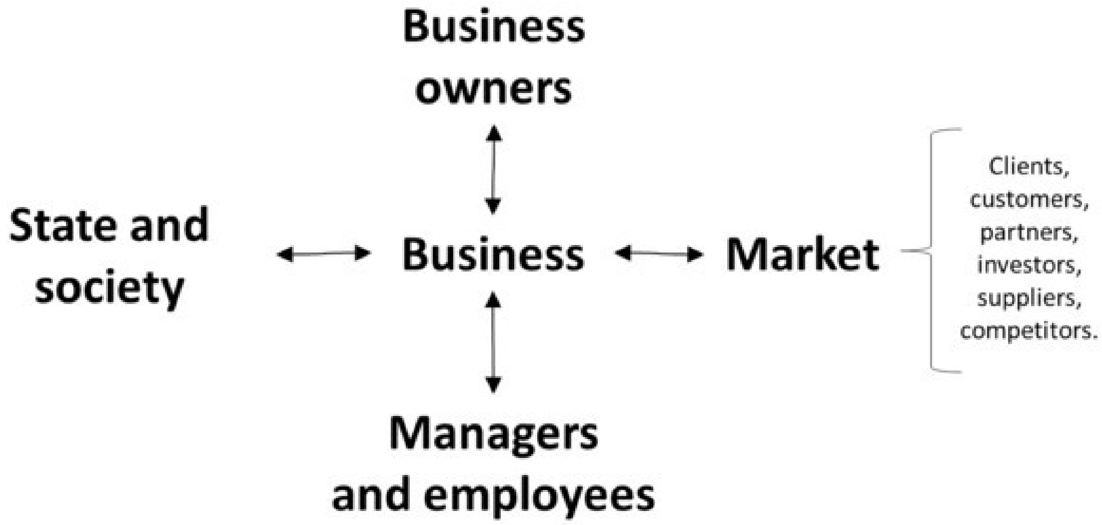
1.5. Requirements for objectives

It is important to understand that in order to correctly set organizational objectives, it is necessary to take into account two basic requirements: balance and quality of objectives [21].

The **balance of objectives** means that the company's objectives must be balanced in terms of the interests of different stakeholder groups. These are owners, customers, suppliers, partners, investors, staff, etc. Everyone has some interest in us. Therefore, their objectives must be taken into account when formulating the objectives of our organization. And we must try to find a balance of objectives.

The **quality of objectives** means that the company's objectives should reflect not only the basic needs of the business, but also flexibly adapt to changes in the external or internal environment, and not only adapt, but try to create and change this environment. Therefore, the criterion for the quality of objectives is their *subjectivity*, i.e. the extent to which we choose them ourselves.

1.6. Balance of objectives



So, the first requirement is to achieve a balance of objectives.

Any organization is created to satisfy the interests and achieve the objectives of a wide variety of groups of people. The main groups that have the strongest influence on the organization's activities are owners, customers, managers, staff, and, of course, society as a whole, represented by the state, the local population, public and political organizations, etc. And the objectives of our organization are their objectives, because behind every objective there is someone's interest.

What objectives do the **owners of the business** pursue? These are, first of all, increasing profitability, cash flow and increasing the value of the business. But advanced owners, in addition to financial objectives, strive to realize their values through business and increase their own status in society, become a famous and influential person in the city, country, etc.

Let's turn now to the objectives of the **staff**. Why do people sacrifice their freedom and join an organization? Of course, their basic interests are material well — being, financial stability, social guarantees, and confidence in the future. But it is also career growth, recognition, respect, communication, development of professionalism, and the realization of one's life values.

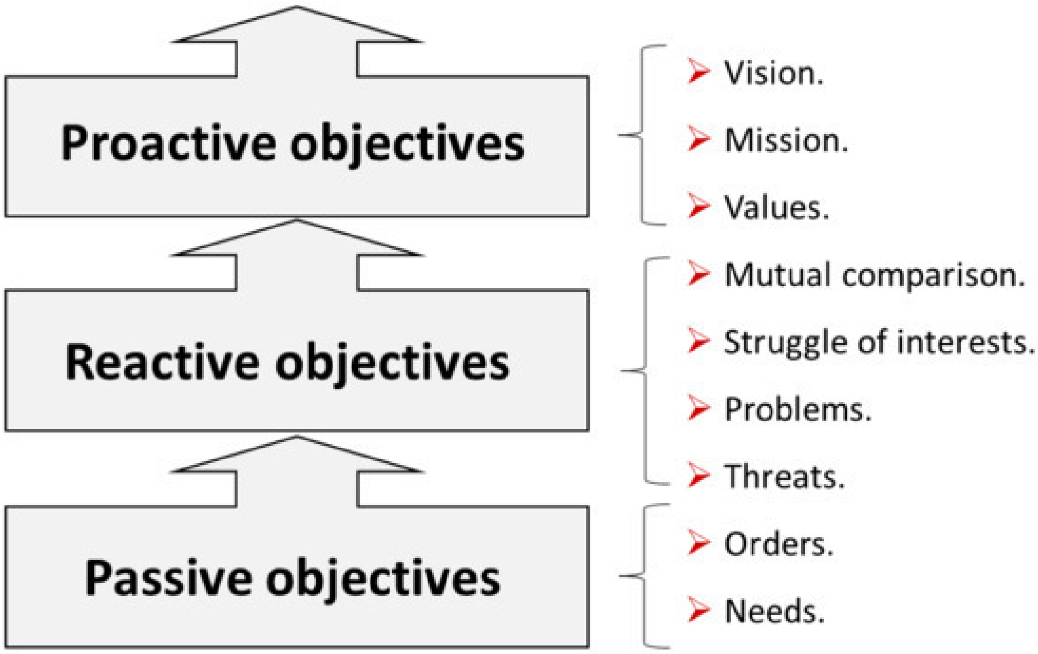
Managers are part of the staff, and therefore they have the same clear and human objectives as the rest of the staff. But at the same time, managers have specific objectives that reflect their special role in the organization. This is an increase in the manageability, efficiency and competitiveness of the enterprise. If this does not happen, the organization will not be able to be an effective tool for doing business, and the managers will not be able to fulfill their functions and obligations to the owners.

The objectives of a **business** come from the market; these are the objectives of clients in the broad sense of the word — consumers, buyers, suppliers, investors, partners — everyone who is somehow connected with the organization and is interested in its existence and development. All these people and organizations in some sense want something from our company, and we must "serve" them well for them and with benefit for ourselves.

The goals of **society and the state** cannot be ignored either. And what does this include? It is the entire world that surrounds the organization and extends far beyond the market. And this world has many of its own objectives. And so that the company's objectives do not contradict, but preferably contribute to the achievement of society's goals, business must strive for sustainable development, which is based on three principles: responsible attitude to the environment, social responsibility and high level of corporate governance (ESG). Otherwise, there may be problems.

Thus, the company's objectives must reflect the interests of the owners, the market, the staff and society as a whole. In other words, the system of objectives must be harmonious and balanced. And there is a special technology for formulating balanced company objectives. We will study it.

1.7. Quality of objectives



The second requirement is the quality of the organization's objectives. But what is this? What does it depend on? What is the criterion for the quality of objectives? To answer these questions, we can use the classification of objectives proposed by Professor A.I. Prigogine in his book "Objectives and Values" [21].

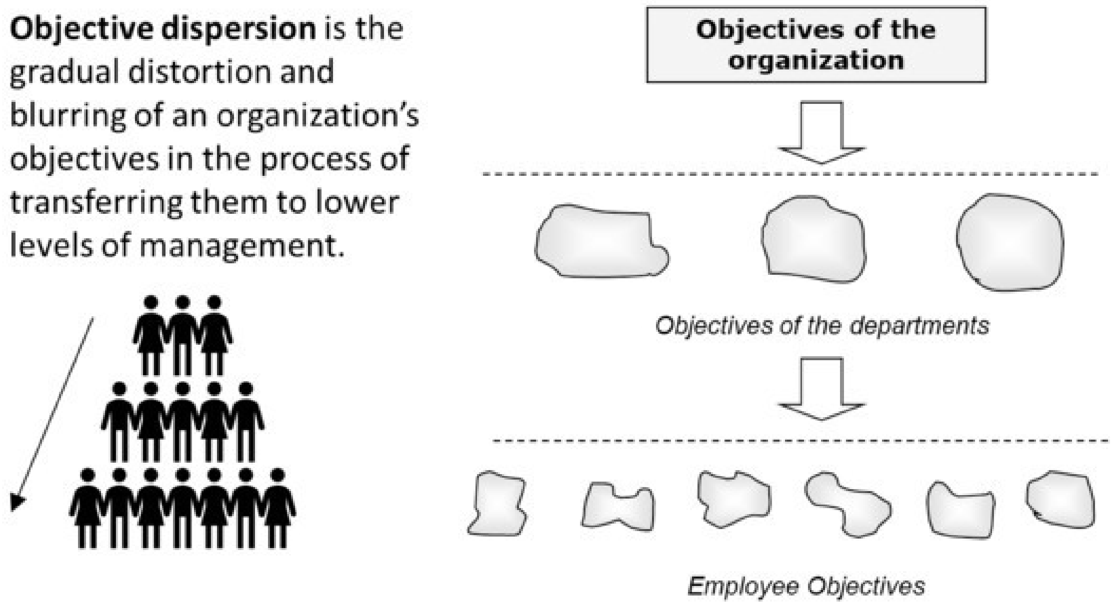
The quality of objectives is determined by the extent to which they are the subject of our conscious choice. There are objectives we don't choose — **passive objectives**. We are simply forced to formulate and achieve them simply to survive. These are objectives of the lowest quality. They are necessary conditions for the existence and survival of an organization. Passive objectives are derived from needs or orders. For example, for a business, passive objectives would be those related to increasing profits, ensuring the required level of quality of products or services, etc.

At the same time, there are objectives that we partly choose, but are also forced to formulate in response to certain situations within the organization or in the external environment. These are **reactive objectives**. These are objectives formulated to prevent or mitigate potential threats to the organization. These are objectives formulated in response to specific organizational *problems*. These are objectives from the *struggle of interests*, which are defined as necessary opposition to someone in order to achieve their own benefit. These are the objectives of *mutual comparison*, which are determined as a result of observing other market participants, even if there is no obvious conflict of interests between them. Thus, any reactive objectives are objectives that arise as a reaction to something: threats, problems, competitors' behavior, changes in demand, new technologies, etc. For example, this could be a objective to reduce costs if the company begins to lose in price competition in the market.

But the highest level of quality is **proactive objectives**. These objectives are formulated based on the values, mission, and vision of the organization. These are objectives that no one forces us to achieve. We choose them, not as a reaction to something, but of our own understanding, will, and initiative. Why?

First, proactive objectives are the continuation and concretization of the values of the company, the owners, and the staff. For example, if there is such a value as innovation in the ideology of a company, then objectives for the development of innovative products or technologies are formulated in line with this value. *Secondly,* proactive objectives are a reflection of the company's mission. If a company has a mission that goes beyond business and even beyond the life of the organization, then business objectives are defined as a means of fulfilling that mission. *Third*, proactive objectives are the concretization of a vision — an image of the organization's desired future. It is through proactive, ambitious objectives that the company's vision of the future gradually becomes a reality.

1.8. The phenomenon of objective dispersion



So, we talked about the balance and the quality of the organization's objectives. In fact, even with these requirements in mind, it is not difficult to formulate the company's objectives if you act according to a certain and proven methodology. As they say, everything is simple if you know how. And we will study this technique in detail in the future. But the most "unpleasant troubles" and "complex difficulties" in management by objectives begin later, when we begin to "distribute" responsibility for certain objectives and do something to achieve them. Therefore, even high quality and balance of objectives are not a guarantee that they will be achieved. And one of the main reasons for this is **the phenomenon of objective dispersion**.

I first learned about this phenomenon from the works of my teacher, Professor A.I. Prigogine [19—21]. Later, working as a management consultant in a wide variety of organizations, observing the work of enterprises and communicating with managers at various levels, I personally became convinced that this phenomenon is not just a beautiful metaphor, but a really serious organizational pathology that spoils the lives of many enterprises. What does it consist of?

Everyone knows that an organization's objectives (financial, market, etc.) can only be achieved through work processes involving the company's divisions and employees. Therefore, they must somehow be communicated downwards to lower management levels. If this is done correctly, each department and employee should have their own objectives, the achievement of which ensures the achievement of the overall organizational objectives. It's all clear, it's all correct. In theory. But in practice, this doesn't happen. Or it does, but still results in significant deviations from the planned results. Why? The reason for everything is the dispersion of objectives.

What does this mean? The fact is that when objectives are transmitted from the upper level downwards, they gradually become blurred, distorted, and even lost. In short, they become dispersed. As a result, the objectives of the organization either do not reach the performers at all, i.e. they get stuck or lost somewhere, or they "reach" the employees in such an unsightly form that if you put them together like child's puzzles, the overall picture does not add up. And, as a result, the initially formulated general objectives of the company are not achieved.

Things are bad. This is a sure sign of organizational unmanageability. And unmanageability is a serious and deadly disease, leading first to a decrease in efficiency, then to a decrease in competitiveness, and finally to the disappearance of the company and its business. An unpleasant prospect. So what’s the deal? Where are the roots of the objective dispersion phenomenon? Why is this happening and, as a result, the organization begins to skid like an out-of-control car on a slippery road? And this happens for a variety of reasons.

1.9. Reasons for the objective dispersion

Why do organizations lose their manageability?

- "Vibration" of objectives.
- Communicative "clots."
- Personal interest.
- Bureaucracy.
- Cliques.
- "Structural fetishism."
- Conflicts.
- Autarky of units.

What are the reasons for the dispersion of objectives? There are several of them [19].

Firstly, when transmitting information from supervisors to subordinates, there is a **"vibration"**, i.e. a distortion of objectives, as in the children's game "damaged phone". Information is inevitably distorted during transmission.

Secondly, **communication "clots"** can occur, i.e. information can get stuck somewhere and disappear. For example, after receiving a objective from their boss, a department head might actually forget to formulate objectives for their employees or put off this management task until later, and then it might get completely lost in the flow of other tasks.

Thirdly, the employees themselves, having received objectives from their managers, impose their **personal interests** on them and reformulate them "for themselves". After all, if an organization doesn't take proper care of its employees, they have to take care of themselves. And often at the expense of the organization.

Fourth, this is a well-known phenomenon of **bureaucracy.** This is a acquisition of power on oneself in order to raise one's own status and importance within the company, using one's official position and authority. One could say that this is one of the manifestations of the previous reason, i.e. personal interest.

Fifth, these are diverse **cliques**. A clique is a conspiracy of certain employees within an organization to use its resources and capabilities (material assets, reputation, connections, client base, etc.) to achieve their own goals contrary to the interests of the organization.

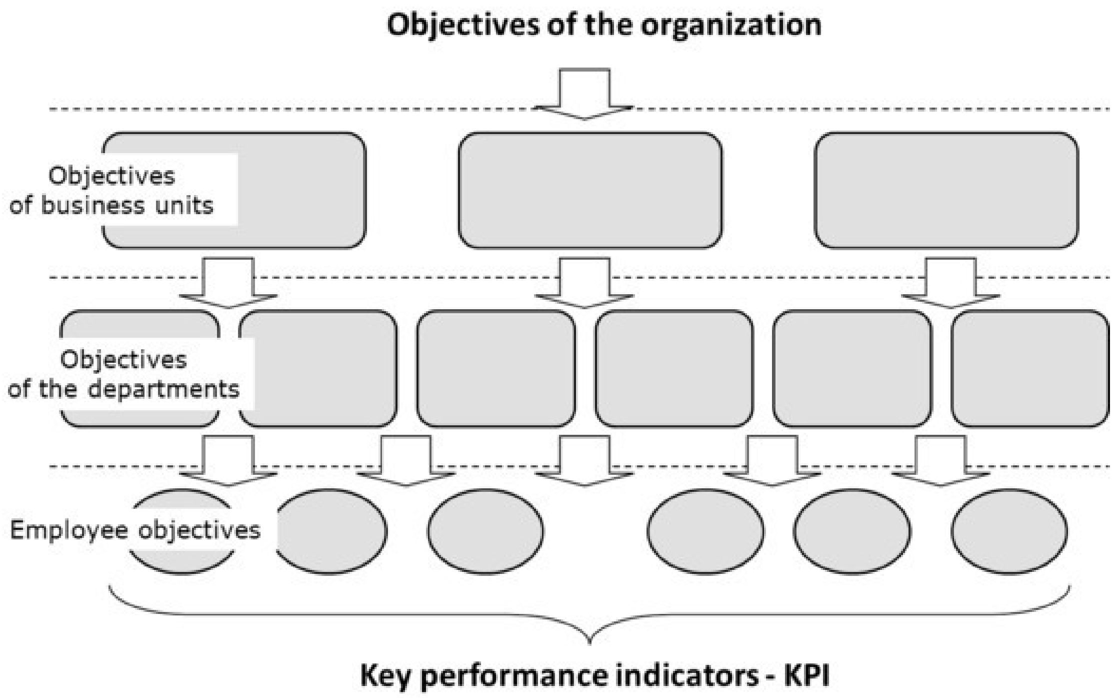
The *sixth reason* is **"structural fetishism".** This phenomenon leads to the fact that the internal, "structural" objectives of the organization begin to prevail and gradually displace the external goals of the organization.

The *seventh reason* is positional **conflicts**, i.e. basic contradictions between the interests of various positions and departments. These contradictions are already embedded in the very nature of organizations and it is impossible to completely get rid of them.

And *finally*, positional conflicts degenerate into the so-called **autarky of units**. This is the isolation of departments, their focus on solving their own problems and tasks, separate from the overall objectives of the company. As a result, each department, section, and workshop works exclusively for itself, unaware of and poorly understanding what is happening around it and what objectives the organization faces in general. As a result, there is no proper interaction between departments or employees, and the business process stops. Where a stormy streamlet should flow, there are dams and a swamp.

These phenomena do not exhaust all reasons for the dispersion of objectives. But how to deal with all this? But more on that later.

1.10. Management-by-Objectives method



So, we've discussed why business objectives are scattered. But what to do about it? Is it possible to completely eliminate the dispersion of the organization's objectives? Unfortunately, it is impossible. This is an incurable disease. But, fortunately, it is possible to reduce its severity by applying the **management-by-objectives method**. We will further consider the features and nuances of management by objectives, but for now we will only consider the basic idea of the method. I am convinced that organizations that don't use this method are doomed to chaos and degradation. The idea for this method was first formulated by the classic management theorist Peter Drucker back in the 1950s. The essence of the method is simple.

First, for an organization's objectives to be achieved, they must be clearly defined and formulated. These objectives should be not only financial but also non-financial, reflecting various aspects of the organization's activities: market position, efficiency of production, sales, human resources management, innovations and development, etc. In other words, the objectives system must be balanced.

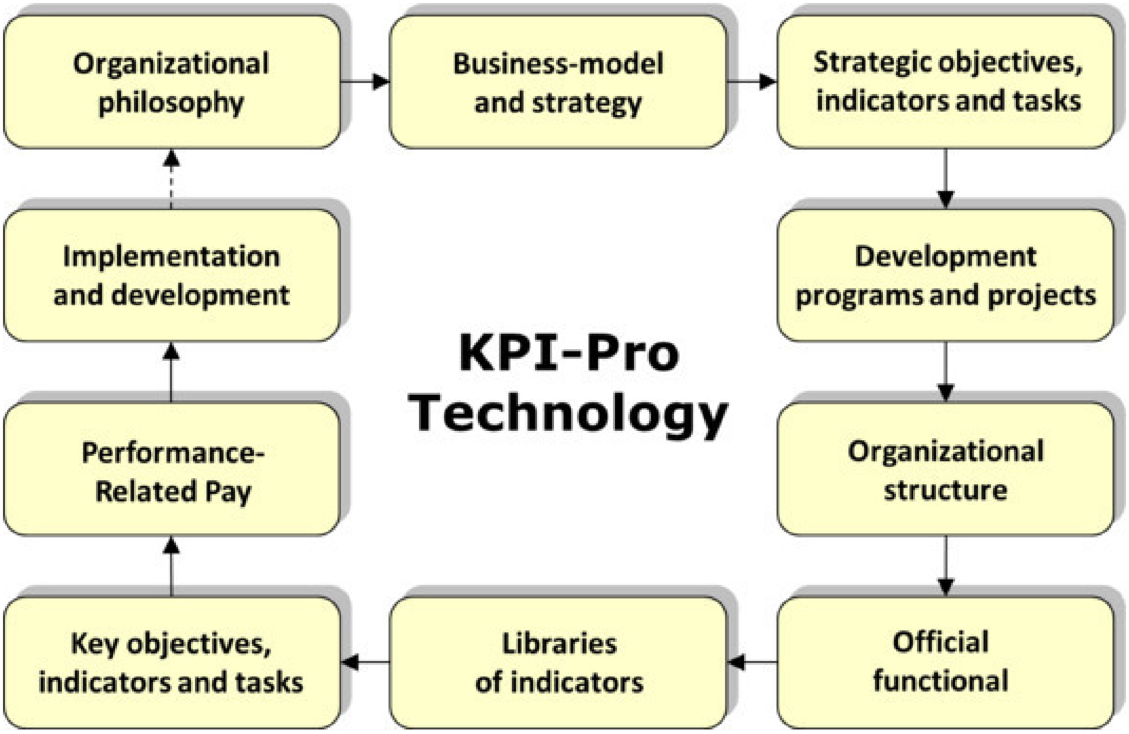
Secondly, organizational objectives must be clearly and accurately communicated to departmental levels in accordance with the organizational structure. This results in the so-called cascading of objectives and their distribution across departments. But at the same time, departments must know not only their own objectives, but also the overall objectives of the organization, and interact with each other in a coordinated manner to achieve them.

Third, departmental objectives can be communicated to employees. As a result, each employee receives their own objectives, the achievement of which should ensure the achievement of departmental and organizational objectives.

But this method is not perfect. It has been, and continues to be, subject to harsh criticism. But under the influence of this criticism, management by objectives has been constantly improved, honed, and transformed so much that Peter Drucker would probably hardly recognize his brainchild. Currently, various technologies are known that are built on the basis of classical management by objectives: “Key Performance Indicators”, “Performance Management”, “Balanced Score Card”, “Objectives and Key Results” and their modifications.

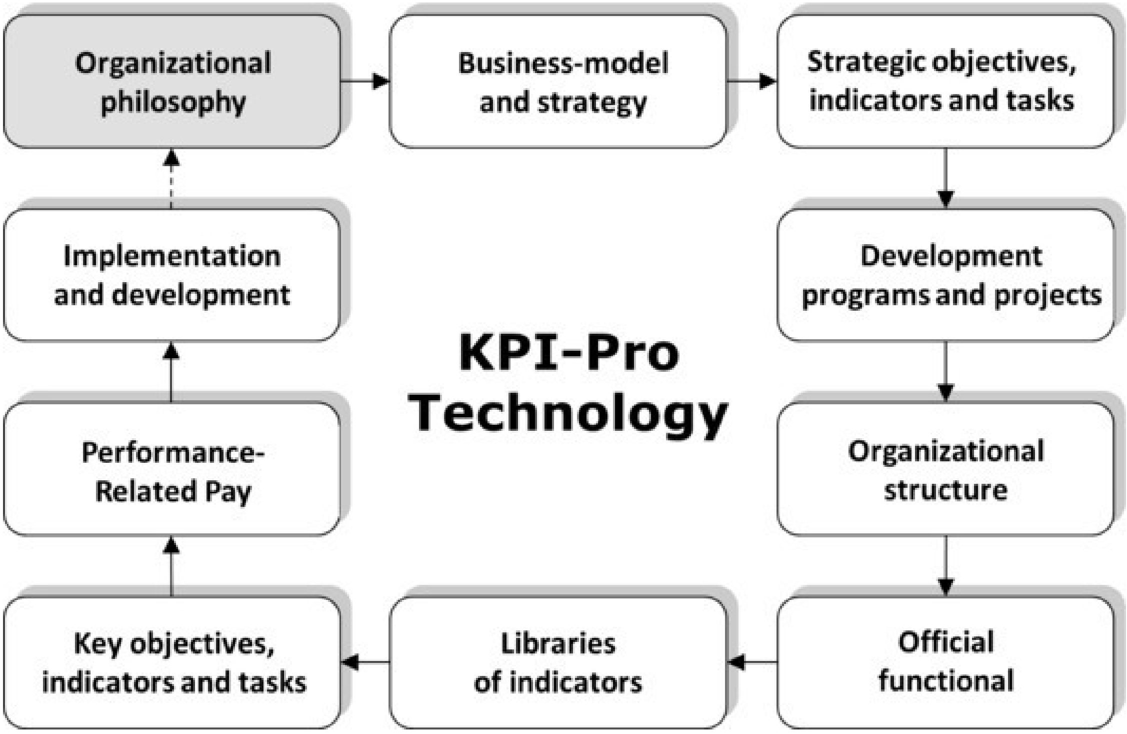
The KPI-Pro technology presented in this book combines all known objectives management methods, enriching them with the author’s discoveries and developments tested in the “field conditions” of Russian business. Let’s start studying it.

1.11. KPI-Pro Technology



So, what is KPI-Pro? It's a professional approach to objective-based organizational management. This technology includes a series of mandatory steps that must be completed to build a harmonious and streamlined management system that ensures the achievement of business objectives. If we forget or skip any of these steps, we will get, at best, a broken system, and at worst, a "crooked" system that leads the organization away from achieving its objectives. So, let's not skip anything, but rather act consistently and professionally. After all, objective management is a complex and sharp tool that can easily turn from a panacea into a headache if you do not know how to use it and do not understand all its subtleties, tricks, opportunities and limitations.

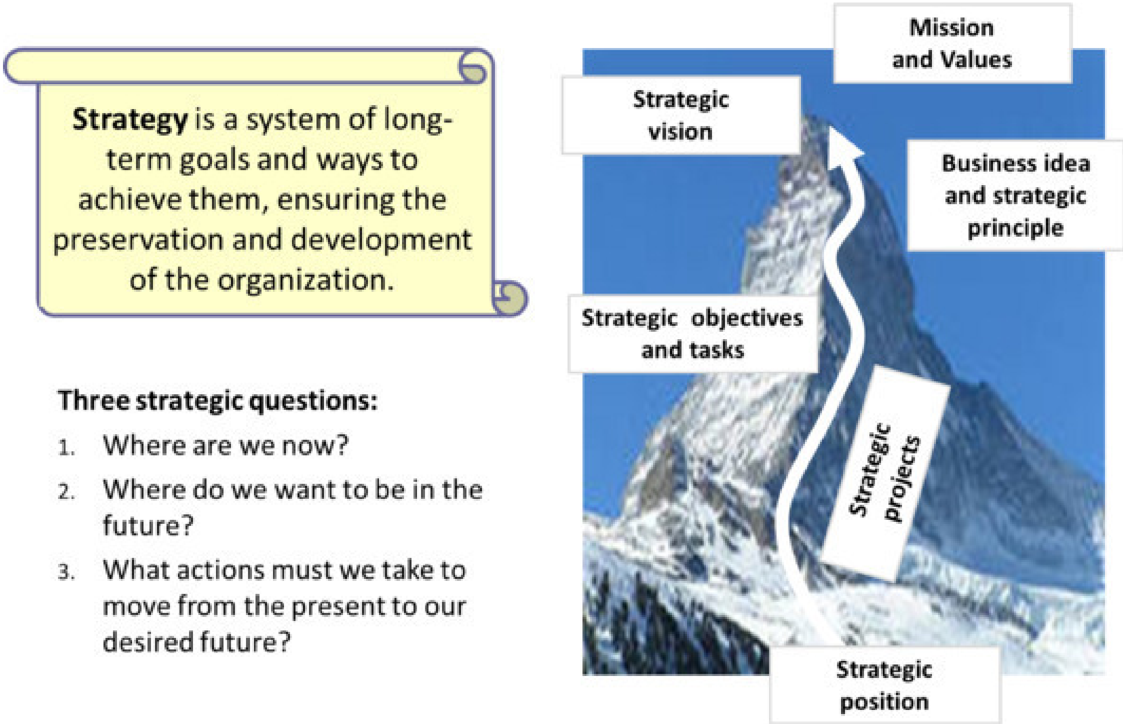
Chapter II. ORGANIZATIONAL PHILOSOPHY



The first step in the KPI-Pro technology is developing an **organizational philosophy**. But is it possible without one? Of course it is. After all, many companies don't have one and, what's more, don't feel the slightest need for one. For the time being. In fact, an organization always has a philosophy, if not on paper, then somewhere deep in the subconscious of the owners and managers of companies. But a conscious organizational philosophy insures us to a large extent from the predominance of passive and reactive objectives, i.e. objectives of lower quality levels, and forces us to formulate ambitious, noble and breathtaking, proactive objectives and move towards their achievement, applying super efforts and managerial will combined with creativity, innovation and inventiveness. And that's a good thing. This is the only way to achieve significant results in business, and in life in general.

Thus, in the context of management by objectives, organizational philosophy helps us formulate higher-quality objectives. But since organizational philosophy represents the highest level of strategy, let's first consider the concept of strategy in more detail.

2.1. The concept of strategy



To begin, I'd like to express the seditious idea that having a strategy isn't a necessary or indispensable condition for a company's success in general, or for management effectiveness in particular. All of this can happen without a strategy. We know many businesses that "caught the wind in their sails" by being in the right place at the right time, and are still feeling great. However, intuition and common sense suggest that "successful success" cannot continue indefinitely. Having a strategy, even in its most general form, increases an organization's chances of success and survival in this complex and changing world. After all, strategy is a system of priorities. But how can we live without priorities? How can we make decisions? After all, our resources are always limited. Therefore, a long-term strategy is vital, even if everything is going well and wonderfully right now. However, strategy should not be a "straitjacket" that limits a company's capabilities. It must be flexible and sensitive to changes in the market and far beyond.

A good strategy should answer three sets of questions:

1. **Where are we now?** What are we doing? What kind of business do we do? What is happening in our environment? What changes in the external environment threaten us or, on the contrary, create new opportunities? What are we like? What are our competitive advantages and disadvantages? In answering questions like these, we look around and assess ourselves to understand our initial strategic position as a starting point for moving forward.

2. **Where do we want to be in the future?** What do we want to do? What market position do we want to occupy? What do we want to be like? What advantages do we plan to have? What do we want to have or not have? With whom will we befriend or compete? And so on. These are questions that help us understand our desired future as the most general goal of the company.

3. **What actions must be taken to move from the present to the desired future?** How can we transform our business? What changes does the company need? What projects need to be funded

and implemented to achieve these changes? What difficulties and obstacles might arise along the way, and how can they be overcome?

Strategy isn't what we do or how we live now. Strategy is how we want to live in the future and the development steps we take to achieve that. Having recognized our initial strategic position, we strive to achieve a desired future — a strategic vision — by achieving strategic objectives through planning and implementing strategic projects, realizing our business idea and strategic principle, and guided along the way by the organization's mission and values.

2.2. Four levels of strategy

In its most general form, a company's strategy includes four levels.

An **organizational philosophy** is a mission, values, strategic vision, business idea, and strategic principle. At this level, the strategy answers the questions: what is the meaning of our company's activities, what is really important to us, where are we going, what is our uniqueness, what kind of company do we want to build? We will study these concepts in more detail below.

A **corporate strategy** helps us answer the questions: What do we plan to do and what products will we produce? Who are our target clients? What regions do we plan to operate in? In other words, a corporate strategy answers the questions: What do we plan to do, for whom, and where? A corporate strategy may include the selection of various activities (i.e., the company's business portfolio) and various product categories within a single business.

Competitive strategy helps us stand out from the competition and focus our activities on creating sustainable competitive advantages. If we succeed in this, we will create a unique selling proposition (USP) that not only creates value for our customers, but also provides a competitive advantage in one way or another. These can be unique products ("blue ocean"), differentiation (in terms of quality, service, assortment, relationships, etc.) or lower prices. The choice of competitive strategy depends on what you produce and who you sell it to. If a company carries out several types of activities in different market segments, then, generally speaking, its own competitive strategy can be developed for each of them. A competitive strategy (or, in other words, a business strategy) answers the question: how do you plan to compete, survive, and succeed in the market?

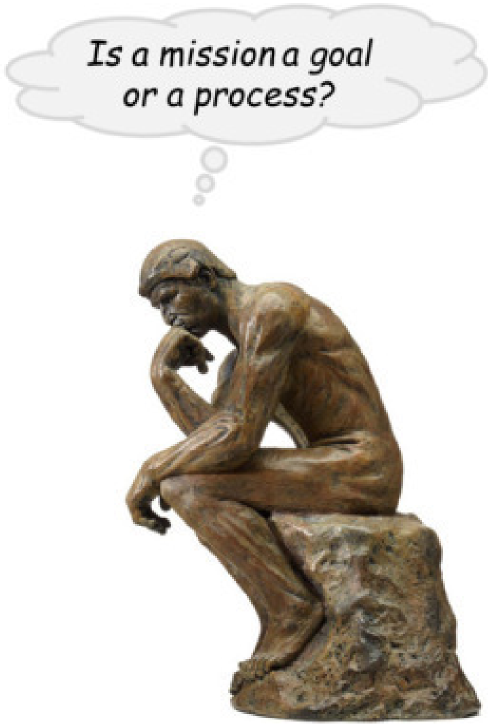
Functional strategies define the basic principles, objectives and plans for the company's activities in various functional areas. Otherwise, they are also called "special policies" (production policy, marketing policy, service policy, personnel management policy, technical policy, assortment policy, quality policy, safety policy, environmental policy, financial policy and others).

The implementation of any strategy is carried out on the basis of the fulfilment of development programs and projects in order to bridge the gap between what is and what should be in terms of the quality and quantity of the company's resources: human, material, technological, informational, etc. In other words, to implement the strategy, we must improve and "pull up" our resources to the necessary and sufficient level. Strategy is always about development.

2.3. What is organizational philosophy?

Organizational philosophy is the highest level of a company's strategy. It comprises a series of general statements and propositions addressed to the external environment and the organization's employees, defining the meaning, principles, key objectives, activities, and essence of the company's strategy. An organizational philosophy is not vital to the success of a business in the here and now, but it is extremely important and useful for the sustainability and viability of the organization in the long term. The quality and depth of an organizational philosophy is a key indicator of an enterprise's level of maturity.

2.4. Mission of the organization



A mission is an expression of the meaning of a business in the form of a process leading to qualitative, sometimes radical, changes in the life of society.

So, the first element of organizational philosophy is mission. What is it?

A **mission** is a statement of purpose. But the question is what is meant by a company's purpose. Most often, a mission is formulated as a set of the organization's most general objectives or as a value proposition for consumers. This is a mistake. In this form, it's not a mission statement, but rather a business idea. We'll discuss how to formulate a business idea below.

But if mission, objectives, and value proposition are different words, then their meanings should be different. If they have the same meaning, then let's use one of them. For example, let's leave mission alone and talk only about objectives. But if we still like the beautiful word "mission," let's agree on what it is and how it differs from the company's objectives and value proposition.

A mission must go beyond business! It must demonstrate how we want to make this world a better place! That's all. If you want to improve the lives of your consumers and make money doing so, that's fine too. This may be quite enough. But then you don't need any mission. Work, achieve your goals, and be happy.

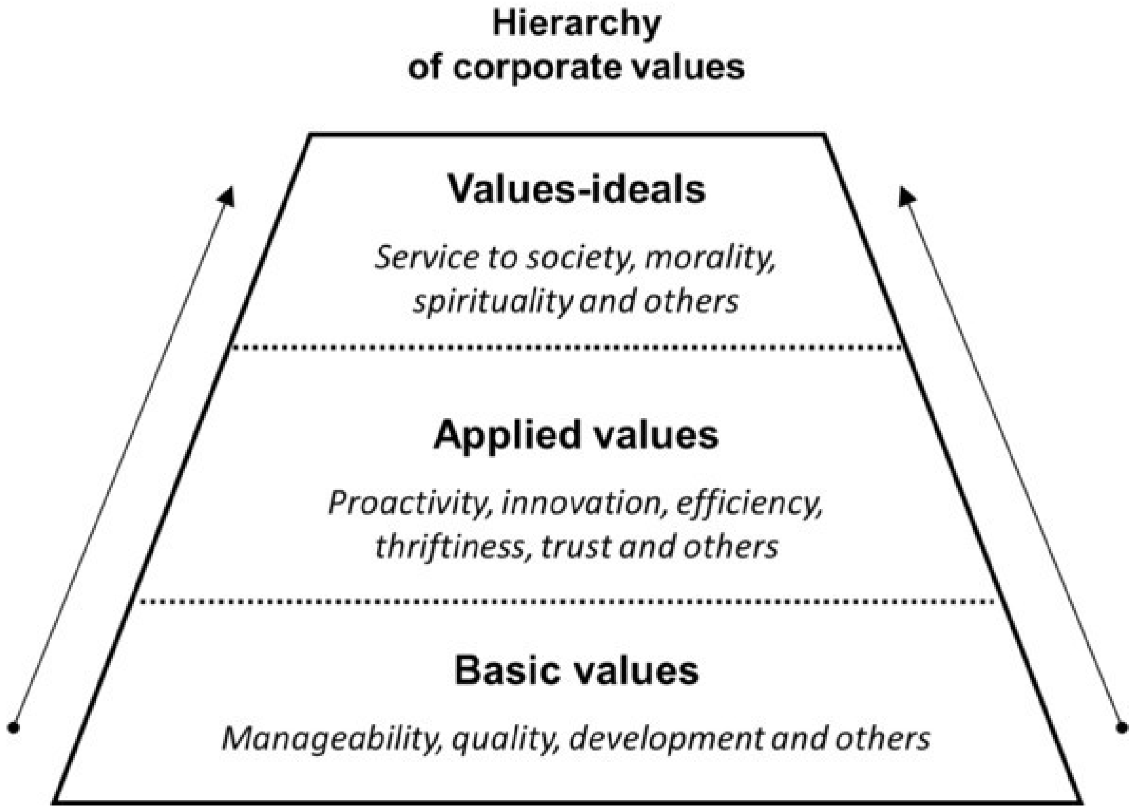
The mission shows the organization's contribution to the development of the industry, city, country, and society. This is not charity or social responsibility. Although they are certainly important as a means of achieving the mission. The core of mission is impacting the world through its *activities*. Missionary businesses also make money by meeting the needs of their clients and customers. But the influence of such organizations extends beyond simply solving clients' problems. They claim a special social role in society.

Does a mission have practical significance? Of course. A bright and memorable mission creates a unique image for a company, distinguishing it from competitors; attracts the attention of clients, partners, investors, and suppliers; increases trust in the organization; and creates additional energy and motivation among employees… All this, through a simple chain of causal relationships, leads to an increase in financial results. Not immediately, of course. But still.

The mission may be impossible. It's not a big deal. That's not the goal. It's a process, it's a path. But having a mission presupposes that you're doing SOMETHING else besides what everyone else is doing, and SOMEHOW doing what others are doing differently.

Don't rush to formulate a mission statement just because it's written in management textbooks. Think about it, do you need it now? If the mission is formulated vividly and deeply, it will serve you honestly for many years and slowly but surely lead your company to prosperity and success. It is a very powerful but inertial management tool.

2.5. Corporate values



So, above we have considered the concept of mission. But the mission (if there is one) is inseparable from the value system. Our lives are governed by values. We may or may not be aware of them, but values, nevertheless, invisibly lead us along the path of life and lead to the achievement of quite visible results. Or they don't. But that's not the point now.

Let's discuss the phenomenon of **corporate values**. What is it? In short, this is something very important for the survival and success of an organization. These are the most general principles and priorities of organizational life, governing attention and shaping habits in people's behavior.

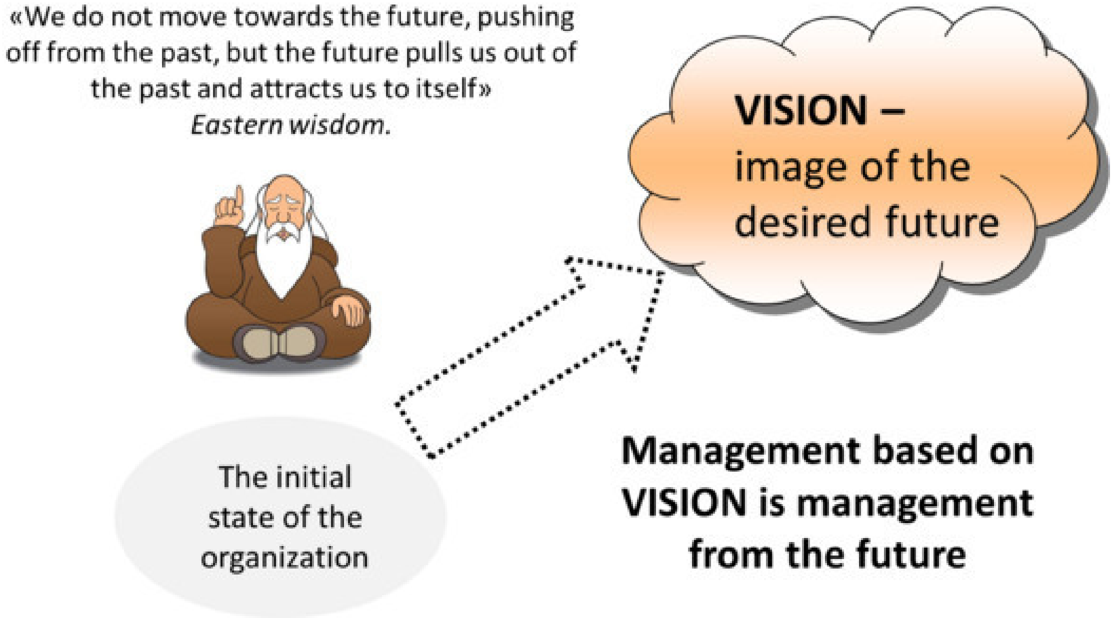
Whether we like it or not, the value system develops spontaneously and involuntarily in any organization. Values collide, conflict, and struggle. New values are born out of this struggle. This is how organizational culture is formed and evolves. It's a long and thorny path. It is no secret that most businesses created along this path do not survive to see a happy and bright future. But perhaps it makes sense for business organizations to recognize and formulate their values, rather than leaving them to chance and "natural selection"? Who should do this? Only managers. That is, the people who are involved in the business on a daily basis and are acutely aware of its nuances and moods. Consultants are powerless here. They can only suggest a methodology, but they cannot fill it with content.

To bring order to your values, it's helpful to first organize them into a system. For example, you can create a *value hierarchy*. The company's hierarchy of values is in many ways reminiscent of Abraham Maslow's hierarchy of needs. After all, needs and values are "birds of a feather". And any enterprise, as a social organism, is like a living organism, since it is born, lives, and develops according to the same laws. There's a beautiful metaphor for this. And it helps us better understand the nature of organizations. Let's consider the hierarchy of values and divide them into three levels [21].

The first level is **basic values**. These are values that are vital and necessary for the survival of the company. The second level is **applied values**. These values are important for the success of the company. Applied values highlight certain critical success factors, taking into account the specifics of the company's industry and market. The third level is **values-ideals**. They are important not for the survival or success of organizations, but because the owners or managers consider them important. No comment. These are *missionary* values.

This is how *corporate ideology* is formed. It is a system of ideals, applied and basic values that determine the goals and destiny of the enterprise. Values are what is important for a business. This is what ensures its survival, success, and fulfillment of the organization's mission.

2.6. Strategic vision



So, we have dealt with the concepts of "mission" and "values". But organizational philosophy also includes a **strategic vision** or an *image of the desired future* of the company.

When an organization has VISION, a metaphysical mechanism of *self-fulfilling prophecies* or the Pygmalion effect is activated, for, as the well-known Eastern wisdom says, "it is not we who move toward the future, pushing off from the past, but the future that pulls us out of the past and attracts us to itself." And if this image exists not only in the owner's head, but is also developed "by the whole world" or at least replicated throughout the entire organization, then the Pygmalion effect is complemented by a *synergy effect*, when all employees begin to subconsciously act, think, stand, sit, lie down in the direction of one common goal.

How do you develop a VISION? It's very simple. To do so, you just need to answer one **main question**: *what do we want our company to be like in 8, 10, 15, or more years?* The goal-setting horizon can be chosen based on the company's size, market dynamics, and the ambitions of the owners and top managers. This is creative work. As a result, we should get an interesting, easy-to-read and inspiring text with unexpected metaphors, convincing arguments and reliable facts. A strategic vision is not a dry strategic plan with schedules, calculations, and deadlines. This text should be read in "one breath", like a gripping novel.

You can practically write or draw VISION anywhere and however you like: on your knee, on a napkin, on toilet paper, in a text editor, on sticky notes, etc. Free your mind, give free rein to creativity and even imagination, and try to answer the main question. And if consciousness is not liberated, and the question is "not answered"? Then a special technique can come to the rescue, according to which a strategic vision is developed in four dimensions:

1. Strategic challenges.
2. Business scale.
3. Competitive appearance.
4. Strategic changes.

Create a VISION in the form of an interesting, elegant, emotional and metaphorical text. Complete it with some diagrams, pictures, drawings. This text can take 2-3-4 pages of A4 format, but in this case the size does not matter. The main thing is that he captivates and “catches” his readers. VISION should be ambitious and inspiring. It shouldn’t be tied to the company’s current capabilities, but rather, as far away from them as much as possible. This is a break from current reality, a huge and significant one.

When there is a VISION, our concern is to refine, change, and develop it. This is not a one-time action, but an ongoing process. If we “serve” him well, it will serve us and do everything else for us. Let’s trust our VISION.

2.7. How to develop VISION?

How do you develop a VISION? To do this, you can use a special methodology, according to which a strategic vision is developed in four dimensions. This structure of strategic vision is not a dogma. And it's not necessary to answer every question in detail. If answers to a particular question arise, write them down. If not, skip them. Or describe them in general terms. First, individually, i.e. conduct a "brain siege". And then discuss them with the management team. Conduct a collective brainstorming session. Complete each participant's vision with new ideas. Describe your desired future for your organization, not based on what you would like, but as if you already have it. Imagine that the future has already become the present. A vision is always written in the present tense.

2.7.1. Strategic challenges

In the **"Strategic Challenges"** section, we include the company's most important and ambitious objectives. These objectives should be inspiring and breathtaking, but they must be achievable. For example:

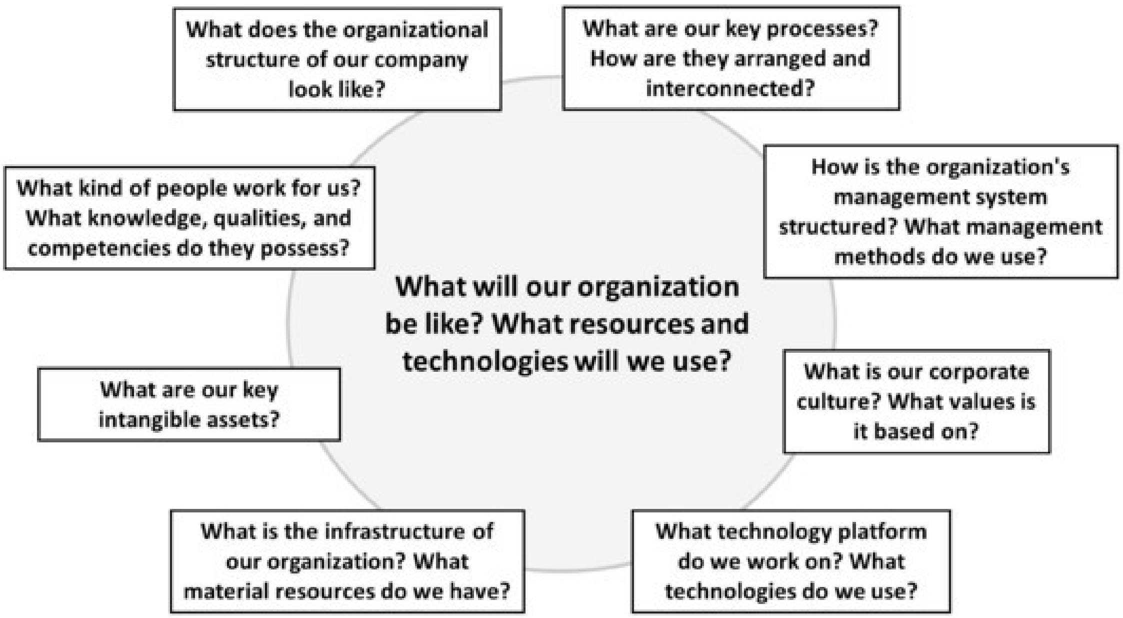
— Become a company with an annual turnover of 30 billion.
— Become one of the top three market leaders.
— Become a global company.
— Increase market share by 20%, etc.

You can "digitize" some of these objectives. Most often, these are financial or market objectives (revenue, profit, business value, market share, customer loyalty, etc.). However, strategic challenges are usually formulated qualitatively, verbally, creating an image of the desired future of the organization.

2.7.2. Business scale

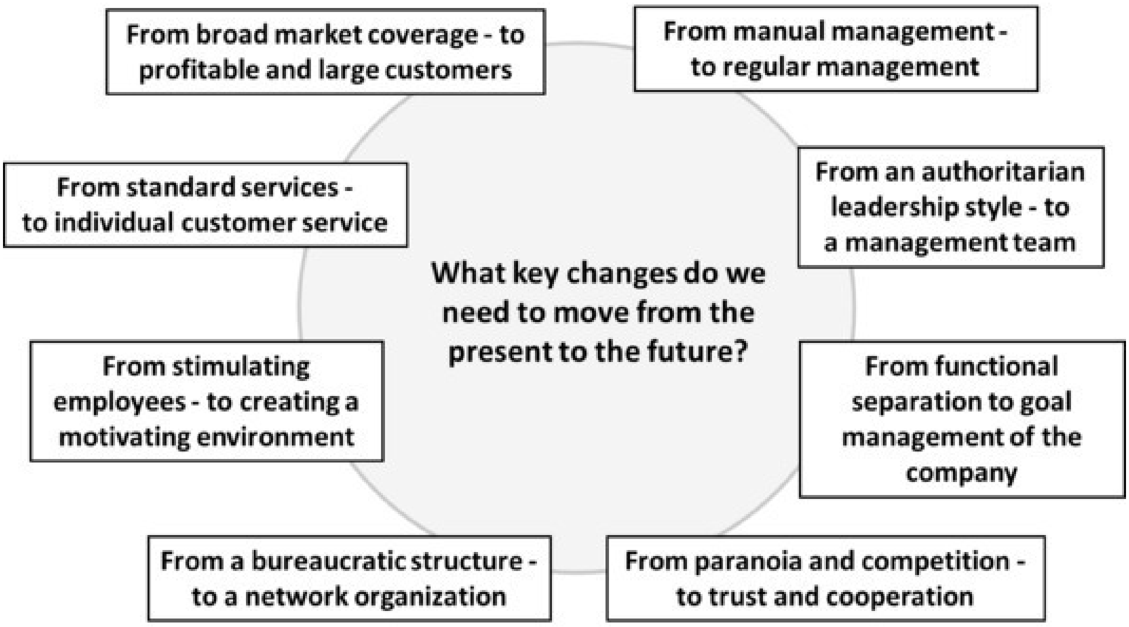
In the **"Business Scale"** section, we include answers to questions about the company's future market position. For example: Who are our target customers? What customer problems do we solve? What needs do we satisfy? What do we do? What products do we produce and sell? What services do we provide? What is the geographic scope of our business? Which cities, regions, and countries do we operate in? How do we interact with our clients? How do we attract and retain them? Who are our competitors? What market share do we hold? What are our differences and competitive advantages? Who do we interact with in the market and how do we interact? Who are our partners and suppliers? How do we promote and sell our products and services? What distribution channels do we use? And other questions.

2.7.3. Competitive appearance



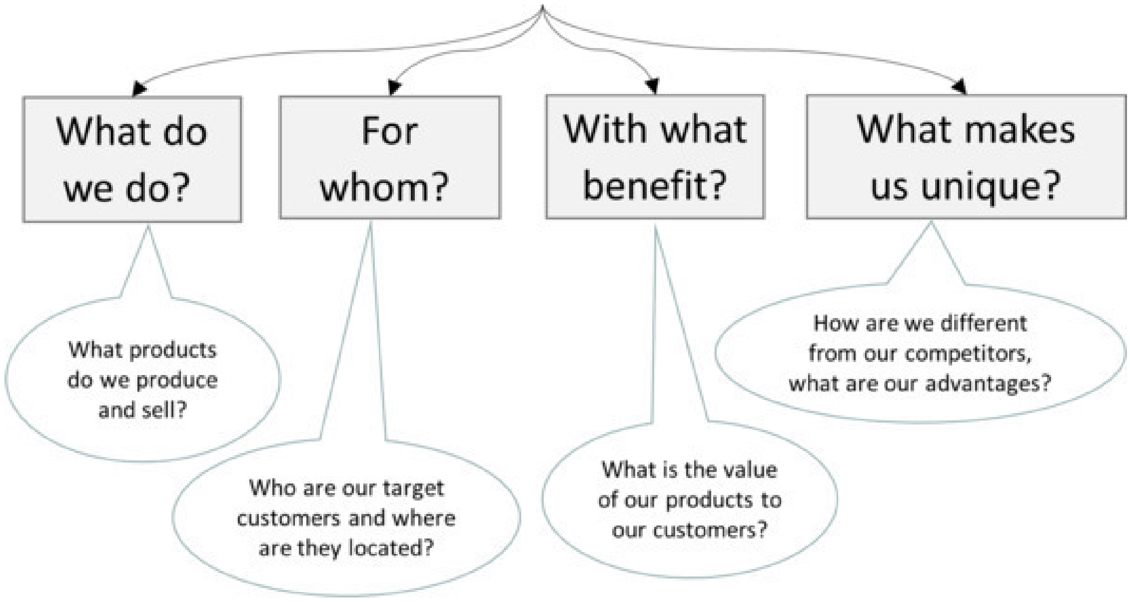
In the **"Competitive appearance"** section, we describe the vision of the organization "from the inside", its structure, processes, resources, technologies, answering, for example, the following questions: What does the organizational structure of our company look like? What are the main divisions it includes? What are the key processes underlying the activities of our organization? How are they structured and interconnected? How is our organization's management system structured? What management technologies do we use? What does our corporate culture look like? What values is it based on? What technology platform are we working on? What technologies are we using? What is the infrastructure of our organization? What material resources do we have? What are our key non-material resources? What kind of people work for us? What knowledge, qualities, and competencies do they possess? And other questions.

2.7.4. Strategic changes



The **“Strategic Changes”** section may describe the key areas of change that we believe are necessary to achieve our strategic vision and transform our company. For example, “From broad market coverage to profitable and large clients”, “From manual control to regular management”, “From an authoritarian leadership style to a management team”, “From functional disunity to effective interaction and targeted business management”, “From paranoia and competition to trust and cooperation”, “From a bureaucratic structure to a network organization”, “From incentives and coercion to creating a motivating environment”, “From standard services to individual customer service”, and others.

2.8. Business-idea



In concluding this chapter, we will also consider two important strategic propositions that are not typically included in the concept of organizational philosophy, but are close in generality to it, as they reflect, in a nutshell, all the results of the company's strategy development. These are the business-idea and the strategic principle.

What is a *business-idea*? This is the definition of your business. It's like a mini-VISION in terms of its market component. A strategic vision can cover a variety of aspects: long-term financial objectives, the company's market position, organizational design, and key company resources. A business-idea is a brief description of the VISION market projection.

A business-idea, by the way, is often confused with a mission. While a mission, as we know, should extend beyond the market and demonstrate the organization's impact on social development, a business idea defines the functions of your business and generally answers the following questions:

1. **What do we do?** What types of activities are we engaged in? What products do we produce and sell? What groups or categories can they be divided into? Here you should briefly describe your activities and the main products you offer to the market.
2. **Who are we making this for?** Who are our target customers? Where are they located? In this section of your business idea, you should clearly define who you are producing your products for, who your customers are, and where (in which cities, countries, or regions) they are located. Thus, in addition to the consumer market segments, you can also determine the geographic scope of your business.
3. **What's the benefit?** What value do our products provide to customers? What needs do they satisfy? What problems do they solve? This is where you can describe your *customer value proposition (CVP)*, identifying the key benefits you create for consumers through your products, customer service, the personal and professional qualities of your staff, company brand and price characteristics.
4. **What is our uniqueness?** How do we differ from our competitors? What are our competitive advantages? Why is it more profitable for customers to buy from us? Here you can reflect your unique selling proposition.

Formulate your company's business idea and format it as a short text (no more than half a page), familiarize all employees with the business idea, bring it to the attention of your regular and potential clients, place it on the main page of the website, booklet and other advertising materials. Broadcast your business idea to the outside world through all communication channels so that the market clearly positions your company and understands why it needs you and why it is better to buy from you than from your numerous competitors (even if you suddenly discovered the "blue ocean").

2.9. Strategic principle

Along with the mission and business idea, another message for both the external and internal environment of the company is the **strategic principle** [22]. This is an even shorter (compared to a business idea) expression of *the essence of the strategy*, reminiscent of a brand slogan, but intended not to create an image and attract attention to the brand, but to convey information about the features and essence of the organization's strategy. This is especially important and useful for large and geographically distributed companies to formulate a short strategic message and communicate it to all employees of the organization.

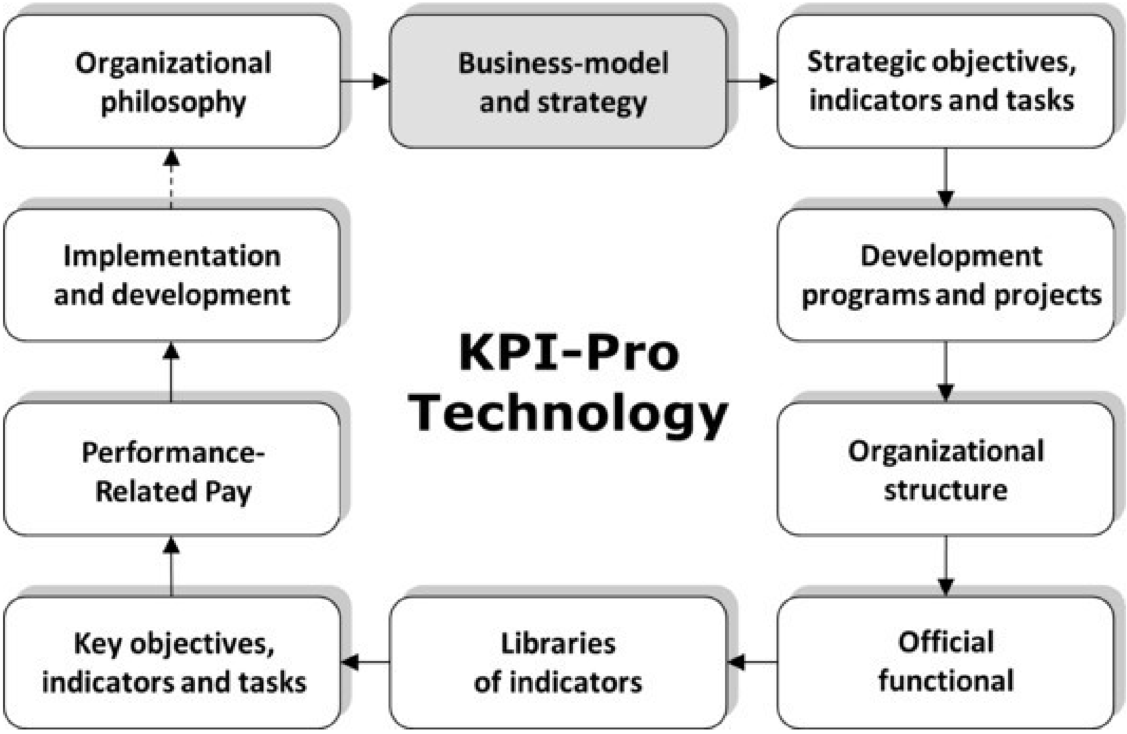
When formulating a strategic principle, it is necessary to identify and reflect the corporate *"genetic code"* that distinguishes your company from its competitors. In this sense, the strategic principle serves to "highlight" the uniqueness of your company, "detach" it from competitors and establish a clear position in the minds of customers. And not only buyers, but all interested parties: partners, investors, suppliers, government agencies, and employees of the organization. A clear and precise formulation of strategic principles is especially important for managers and employees in the context of rapid business growth, decentralization of management and expansion of employee authority, rapid technological change, and increasing instability within the organization. It can be said that this is a kind of connecting idea that unites employees of large and growing enterprises.

It's a tool designed for long-term benefit. Its purpose is to convey the meaning of a company's strategy to employees in a *concise, memorable phrase*, because "even the most brilliant and brilliant strategy is useless until people understand it well enough to act flexibly in accordance with it in both expected and unexpected situations" [22]. After all, ordinary employees don't read complex and lengthy strategic documents or delve into the details of strategic plans. They value a concise and simple formulation of the strategy's essence in one sentence. Two sentences, maximum. In this case, the strategic principle penetrates deeply into people's consciousness and is easily remembered. Thus, it serves as a convenient means of rapid *strategic communication* within the company.

The strategic principle supports the focus of a growing company on the implementation of the chosen strategy and, at the same time, within the designated boundaries, in no way restricts managers and employees "on the ground" in creative flexible decision-making, taking into account emerging threats and opportunities.

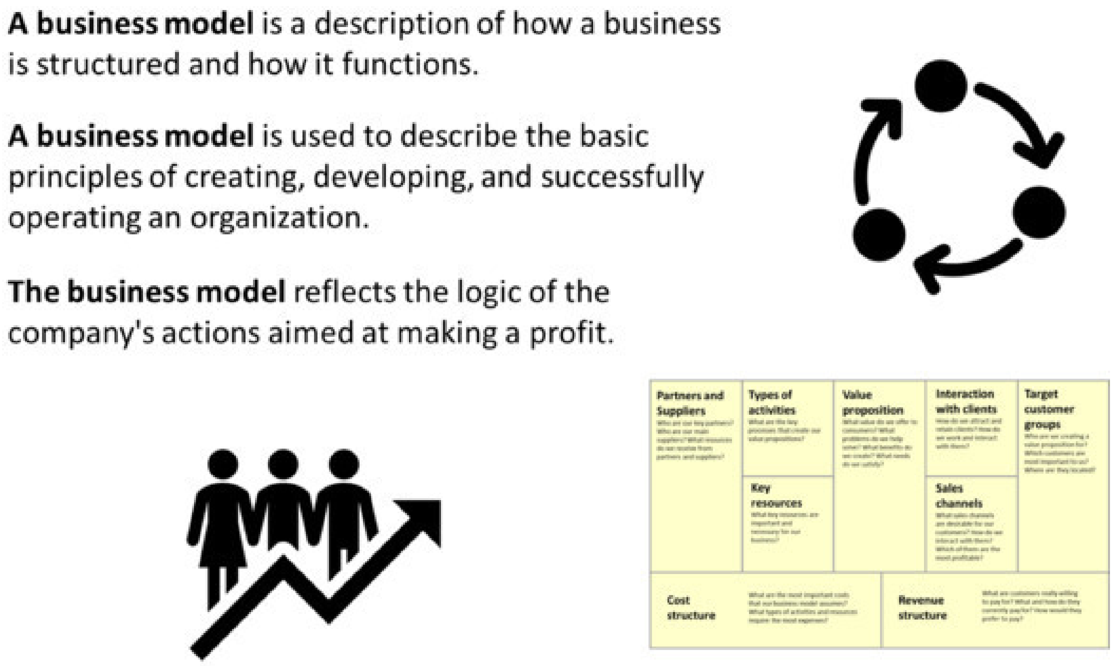
One could say that the strategic principle establishes a clear rule: "What is not prohibited is permitted". And everything that complies with this principle is not prohibited. Adhere to the strategic principle and act at your own discretion.

Chapter III. BUSINESS-MODEL AND STRATEGY



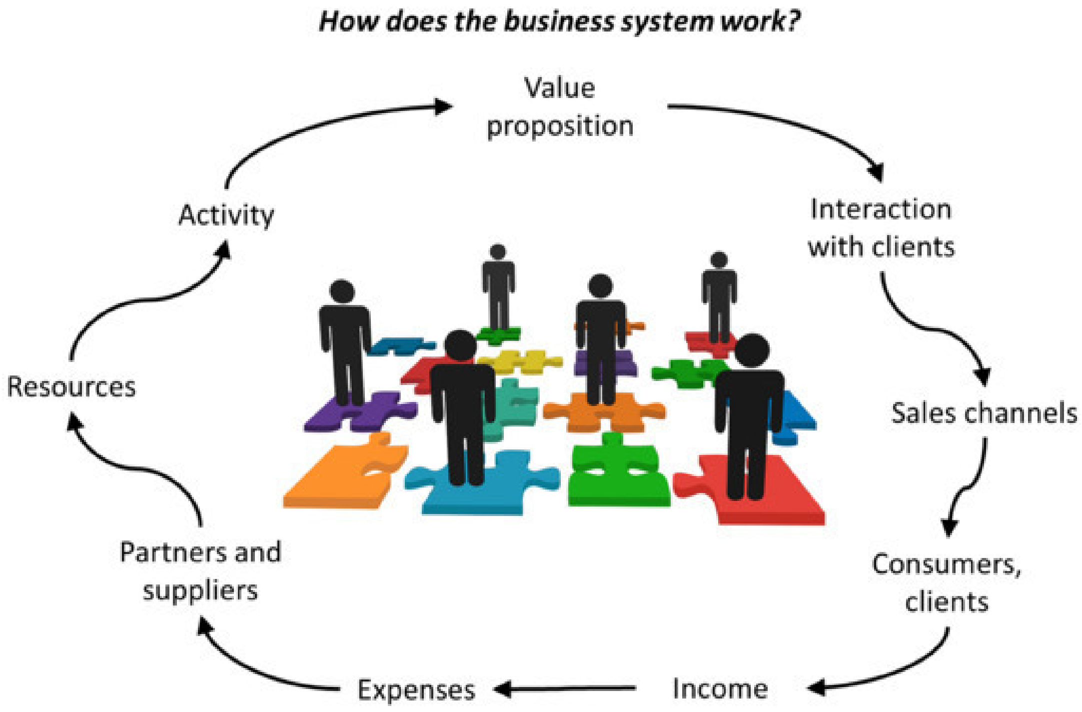
The second stage of KPI-Pro technology is the development of a company’s **business-model and strategy**. The organizational philosophy we discussed above is the top level of strategy, but the detailed development of strategy and the choice of the company’s business-model occur at the second stage. Based on its results, all components of the organizational philosophy can be adjusted. After all, KPI-Pro is a flexible and nonlinear technology, allowing for revisiting previous steps and modifying previously made decisions. So, at this stage we determine the form and “pump up” all the elements of the company’s current business-model. At the same time, in the process of filling out the CANVAS+ template, we formulate the company’s corporate strategy and competitive strategies for each type of activity, describe sales and communication channels, the company’s key resources, systematize partners and suppliers, and, most importantly, build a “bridge” from the present to the future, designing the target business-model of our enterprise. This is a large and painstaking work that must be completed before we can begin formulating company objectives. Let’s get started.

3.1. What is a business-model?



Let's start with the concept of a **business-model.** Simply transposing these two words, we get that a business model is a model of a business. Using a model, we design our business, make the necessary decisions, and then test and implement them in practice. A business-model shows the structure of your business and reflects the logic of the organization's actions to make a profit. Our business-model is a picture of how we operate and make money. It's a kind of "framework" within which all of the organization's work processes operate. It's possible to manage a company very effectively with a poor business-model. There will be no result. And it also happens that even without any reasonable management, the company has tremendous success and super profits. Why? Due to a successful business-model! This is the foundation for an organization's management system.

3.2. Business cycle of an organization



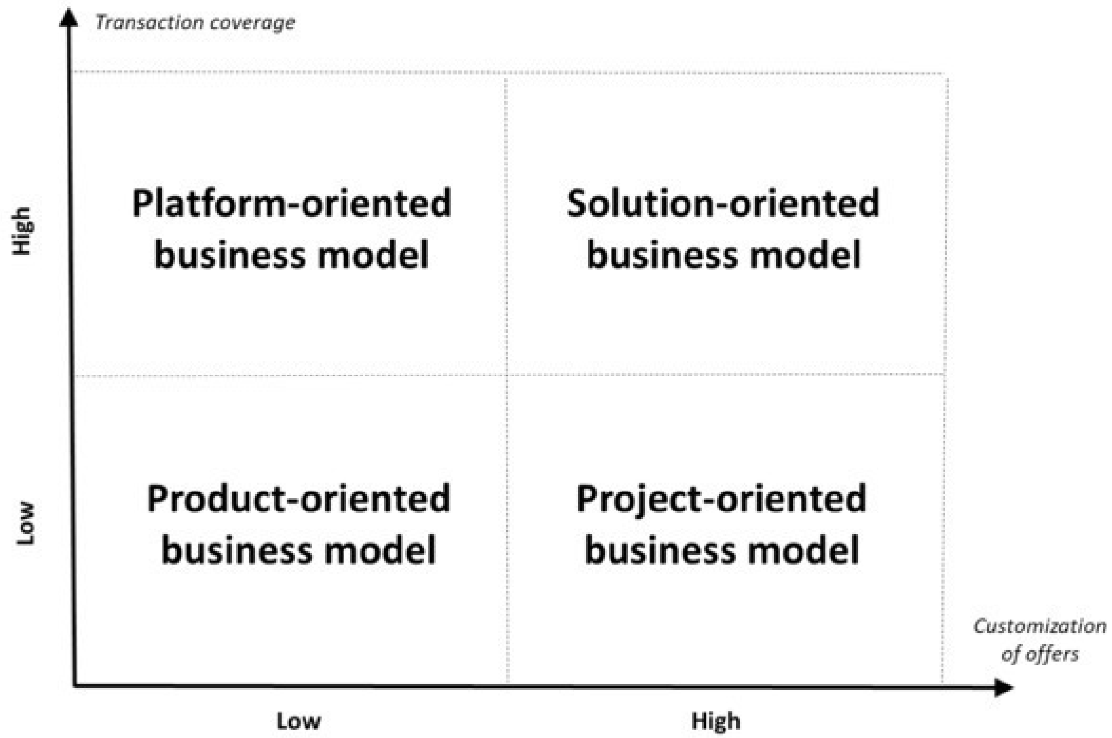
Since a business-model is a model of a business, it is important to understand how this business works in order to build it. All businesses operate in different ways. But at the same time, they all have a common logic that unites them. This logic can be represented in the form of an organization's business cycle:

1. We know that the main goal of any business (or rather, the goal of the business owners) is to make a *profit*. And the more, the better.
2. To make a profit, *sales revenue* is required.
3. Sales revenue can only come from our *clients* or customers. They hold our money, which they owe us in exchange for satisfying their needs, achieving their goals, and solving their problems.
4. To do this, our customers must somehow get into our *sales channels.* This is some kind of real or virtual space where buying and selling occurs and, moreover, money is often transferred.
5. But in order for customers to "come" to our sales channel, it is necessary to work with them regularly and use various methods of *customer interaction.* These include methods of attracting new customers, as well as methods of working, retaining, and returning "old" customers.
6. First of all, this is necessary to convey our *value proposition* to their conscious or subconscious and use it to attract new and retain loyal customers. A value proposition is what our customers value; what's important to them and what allows them to satisfy certain personal or business needs.
7. A value proposition is created in various types of company *activities*. This is the production of something or the provision of any services, including sales services. At the same time, within the framework of each type of activity, the company produces certain products (products or services).
8. To operate, an organization requires a variety of *resources*, both tangible and intangible. Without them, life is impossible.
9. We can obtain or create resources only with the help of our *partners* and *suppliers*.

10. And the acquisition, creation and preservation of resources is inevitably associated with *costs*.

The circle is complete. If expenses are subtracted from revenue, we get profit. Maximizing profit requires optimal organization of the entire value chain. But this can only be achieved by building and optimizing a company's business model.

3.3. Forms of business-models



When building a business-model, it is very important to understand what kind of business you want to build, what value to create for your customers by satisfying their needs, and, as a result, how you plan to make money. There are an infinite number of possible options, and to understand all this diversity, it is useful to know the basic forms of business-models. Then you will be able to more accurately and consciously determine where you are now and plan a possible route for the transformation of your company in the future.

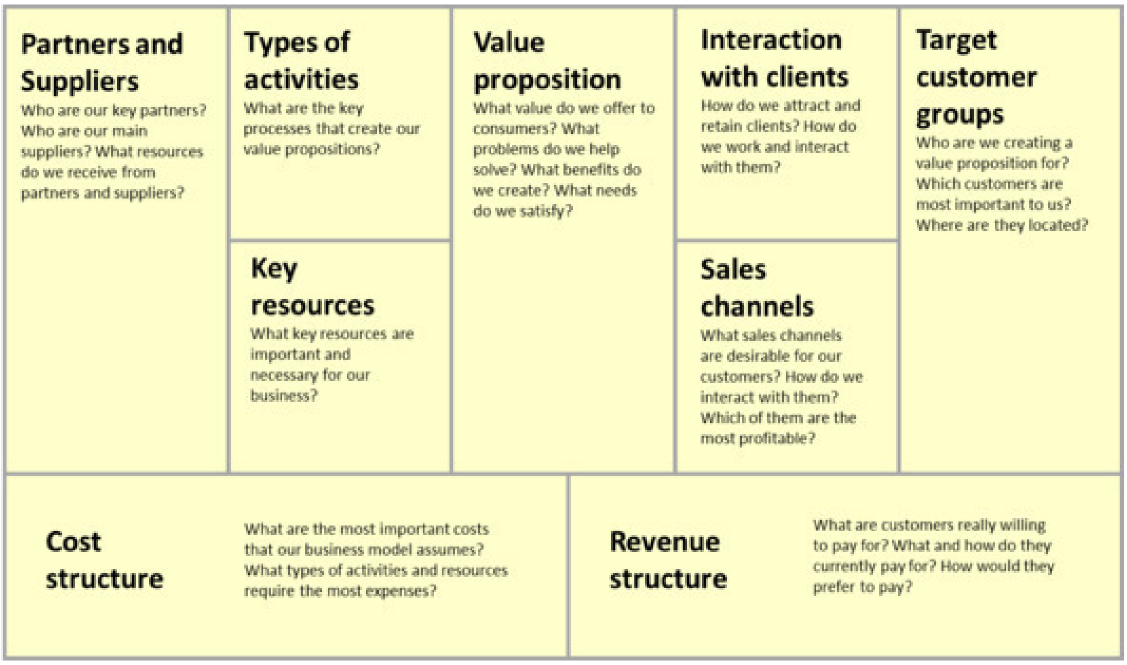
The typology of business-models can be developed according to two criteria: transaction coverage and customization of offers. *Transaction coverage* is the scale and frequency of interactions between a company and its consumers. *Customization* is the degree of adaptation to customers and taking into account their individual needs and characteristics. Then we get four forms [5]:

1. **Product-oriented business-model**: standard products and services offered in large volume and to many customers. For example, the construction of standard country houses based on standard projects.
2. **Platform-oriented business-model**: unites a large number of independent suppliers and buyers of standard products and services. For example, the creation of a marketplace that unites a large number of potential buyers of real estate and construction companies offering standard country houses based on standard designs.
3. **Project-oriented business-model:** customized product or service offerings, typically developed with active client participation. For example, building country houses based on custom client designs.
4. **Solution-oriented business-model**: customized integrated solutions for customers, including a wide range of products and services (the “one-stop shop principle”). For example, the providing a full range of services related not only to construction, but also to the design and landscaping, interior design, purchase of furniture, etc.

Once you have identified your “square” where you are now, you can think through a plan to transform your business-model either vertically (towards the south or north), or horizontally (towards the east or west), or even diagonally (for example, to the northeast, etc.).

Of course, *mixed business-models* are possible, including elements of some or even all four forms. But it’s very difficult and risky. If you thoughtlessly overcomplicate your business model, your company could simply explode from within. So, choose your base type and gradually increase complexity as needed, but don’t get carried away. There’s power in simplicity.

3.4. CANVAS template



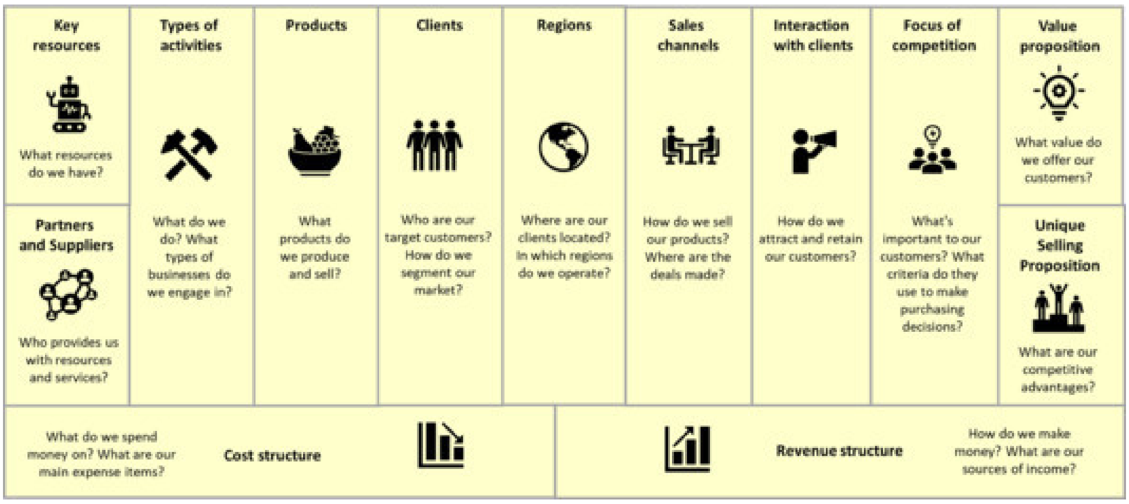
In accordance with the logic of the business cycle described above, the business model describes the key elements of a real business system and the links between them [18]:

1. *Target customer groups.* For whom are we creating a value proposition? Which customers are most important to us?
2. *Interaction with clients.* How do we attract and retain customers? What kind of relationship have you established with them?
3. *Sales channels.* What sales channels are desirable for our customers? How do we interact with them? Which of them are the most profitable?
4. *Value proposition.* What value do we offer to consumers? What problems do we help solve for our clients? What needs do we satisfy?
5. *Types of activities.* What are the key processes that create our value propositions?
6. *Key resources.* What key resources are important or essential to creating the organization's value proposition and operations? What tangible and intangible assets do we have?
7. *Partners and suppliers.* Who are our key partners? Who are our main suppliers? What resources or services do we receive from our partners and suppliers? How do we interact with them?
8. *Revenue structure.* What exactly do our clients currently pay us for? How do they pay? What are they really willing to pay for? What are the main and additional revenues of our company?
9. *Cost structure.* What are the most important expenses within our business model? Which functions or processes require the most cost?

In practice, it is convenient to answer these questions by filling out a business model template. It is better to do this in the management team, involving all key managers and specialists in the discussion. This template (called Canvas) was proposed in the well-known book by *A. Osterwalder and I. Pigneur, "Business Model Generation"* [18]. Indeed, by filling in the blank template, we, like an artist, step by step create a visual picture of our business. This template is actually a convenient and popular tool for collecting and reflecting the ideas of all participants in the discussion.

But of course, the CANVAS template itself is not a planning tool. It serves only as a convenient means for visualizing and recording strategic or tactical decisions made by managers using intuition, experience, personal values (which is what most often happens in practice) or based on well-known methods (for example, good old SWOT analysis and other strategic planning methods). However, experience shows that this template has a number of disadvantages and limitations.

3.5. New business-model template

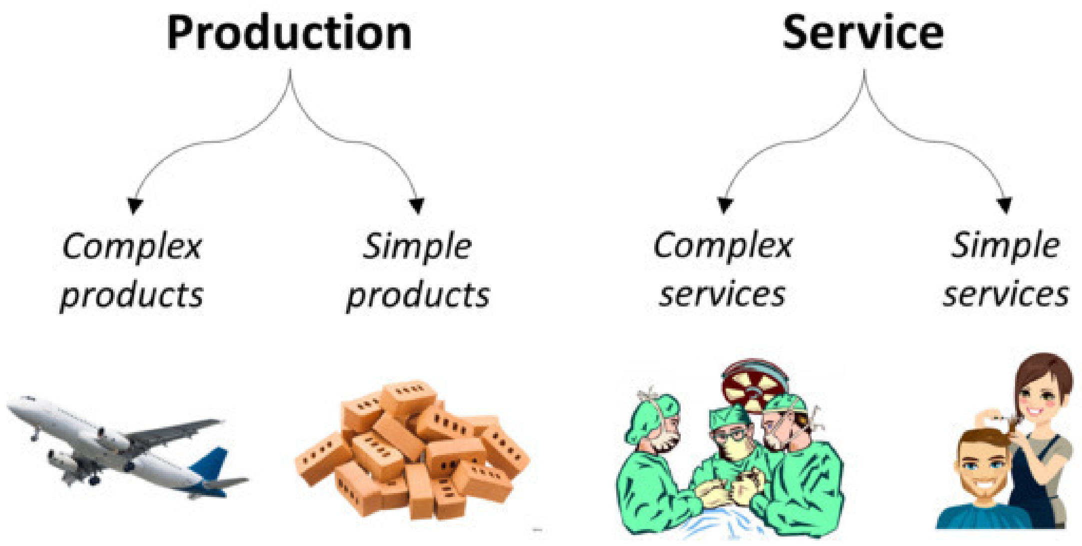


The Canvas template is very convenient and popular all over the world. However, it significantly simplifies reality and does not always cope with building complex business models. This is reflected, in particular, in the fact that this template does not allow to display product categories and business geography, as well as a unique sales proposition, i.e. the company's competitive strategy for different types of activities and target groups of customers. To overcome these limitations, we can use a modified business model template. Let's call it **Canvas+**, for example. With the help of the new template, we get the opportunity to reflect both the corporate strategy (types of activities — products — customers — regions) and the competitive strategy (focus of competition — value proposition — unique sales offer) for each type of enterprise activity. In addition, the new template retains all the advantages and convenience of CANVAS. Let's look at how it fills up.

3.6. Building a business-model

By filling out the business model template "as is", we first create the so-called point A, reflecting the current state of the business and our organization. You can fill out the template in any order, but it is better to follow the logic of the business cycle and go in the following order: types of activities, products, clients, regions, sales channels, interaction with clients, competitive focus, customer value proposition, unique selling proposition, key resources, partners and suppliers, revenue structure, expense structure. We will move along the CANVAS+ template, starting with a description of the types of activities, in this exact sequence.

3.6.1. Types of activities



First, we fill out the **"Types of activities"** section. Here we list all the businesses the company operates in. It's no secret that within a single organization, i.e., "under one roof," different businesses can coexist, but for some reason, they're often not separated from one another. It is important to do this because different types of activities may have different customers, different products, different sales channels, different communication channels, different value propositions, etc. In general, these are usually different business models. Why mix them, even if they operate under the same brand?

Конец ознакомительного фрагмента.