But First a Story

• First meeting after my promotion from product development manager for All-IN-1 to Director of Office Automation Products:
  – US Group Vice President:
    • What business are we in?
    • Who is our customer?
    • Why do our customers value what we do?
  • Boy was I in the wrong place if the VPs didn’t know the answer to these simple questions. Little did I know.

Levels of Capability Maturity

• Junior Software Engineer:
  – What’s inside the system?
  – Focus is on the How
• Senior Software Engineer:
  – What does this application do for the user?
  – Focus is on the What
• Consulting Software Engineer
  – Why is this software being asked to perform in this context or environment?
  – Focus is on the Why
• Business people are all about the WHY

Exercise

• Define the Influencers, Purchasers and Users for Evergreen Cab Company Project
• Define the Influencers, Purchasers, and Users for the Product Rollout of the Project
Positioning / Value Proposition

- For (target customer)
- who (statement of need or opportunity)
- the (product or company name)
- is a (product or company category)
- that (statement of key benefit / compelling reason to buy)
- Unlike (primary “competitive” alternative)
- our product (statement of primary differentiation)

From Geoffrey Moore, Crossing the Chasm

---

An Example

- For PC users who want the advantages of a Macintosh-style graphical user interface.
- Microsoft Windows 3.0 is an industry-standard operating environment that provides the ease of use and consistency of a Mac on a PC platform.
- Unlike other attempts to implement this type of interface, Windows 3.0 is supported by every major PC application software package.

Adapted from Geoffrey Moore, Crossing the Chasm

---

Another Example

*For* web users who want an easy way to find the right information fast, *Google is a* simple yet highly discerning search engine that turns content on the web’s 1.3 billion sites into just what you wanted to find. *Unlike* other search engines, *Google* delivers only the most relevant results in less than a second, without the delay and distraction of downloading a page full of advertising or useless links.

---

Exercise

- Reformulate your value statement into two value propositions
  - One for the purchaser
  - One for the user

---

What’s the Goal of a Business?

- Get and keep a profitable customer – Peter Drucker
- Create a growth partner – Mack Hanan
- Make money - Goldratt
- Create Intellectual Capital – Stewart
- Create economic value while supporting user values – John Heskett
- Prize global intellectual capital and the people that provide it; build diverse teams to maximize it - General Electric
- Get and keep a profitable growth partner while optimizing risk and reward – Skip Walter

---

Goal of Business

Revenue

Expenses

Profit

---
Goal of Business

- The goal of any business should be that revenue - expenses is a positive number called profit.
- The problem with most businesses is that the CEO is the only person where these three concepts come together.
- Marketing and sales people worry about the revenue side.
- Engineering, manufacturing, distribution, admin, and operations folks worry about the expense line.
- Business interventions rarely cross the boundary between the revenue and expense sides of an operation.

Objective Functions

- When we are evaluating business interventions there are really only three generic intervention categories:
  - Increase revenue
  - Decrease expenses
  - Decrease time
- Note designing and building a new product is one form of business intervention

Advanced Version of 10 minute business diagram

The Entrepreneur’s Chasm

The Good Book Says . . .

Business View of Chasm

Whole Product Concept

- Generic - what a company actually delivers to a customer
- Expected - what activity the user hopes the product will benefit
- Augmented - who else complements the generic product
- Potential - what are ways and directions that the product can be further enhanced.
Amazon.Com Example

- Generic - Books search and database, CD search and database, Video search and database, Recommended Books, Book Reviews, Book ordering and delivery, Amazon Associates, Customer Database, etc.
- Augmented - Amazon Associates, Multi-media Computers, ISPs, Browsers, RealNetworks, Book Distributors
- Potential - Digital Book Ordering and Delivery, Meta Book Commentaries, “People like me” Communities

Innovation Strategies

```
Generic          Expected          Augmented
Features & Functions

Potential
```

Exercise

- Define the Whole Product for the Evergreen Cab Company Project

Business Model

- Narrative Test
  - Who your customers are
  - What they value
  - How you’ll make money providing them that value
  - Making something that satisfies an unmet need
  - Selling something in innovative ways
- Numbers test
  - Costs:
  - Revenue for you
  - Revenue for your growth partner

Exercise

- What is the narrative and numbers test for you Evergreen Cab Project?

Exercise

- What’s a product functionality decision that you recently made in relation to the functionality of the project?
- Would you change your decision based on what we’ve learned today?
  - If so, what would you change your decision to?
  - If not, why would you keep the decision the same?