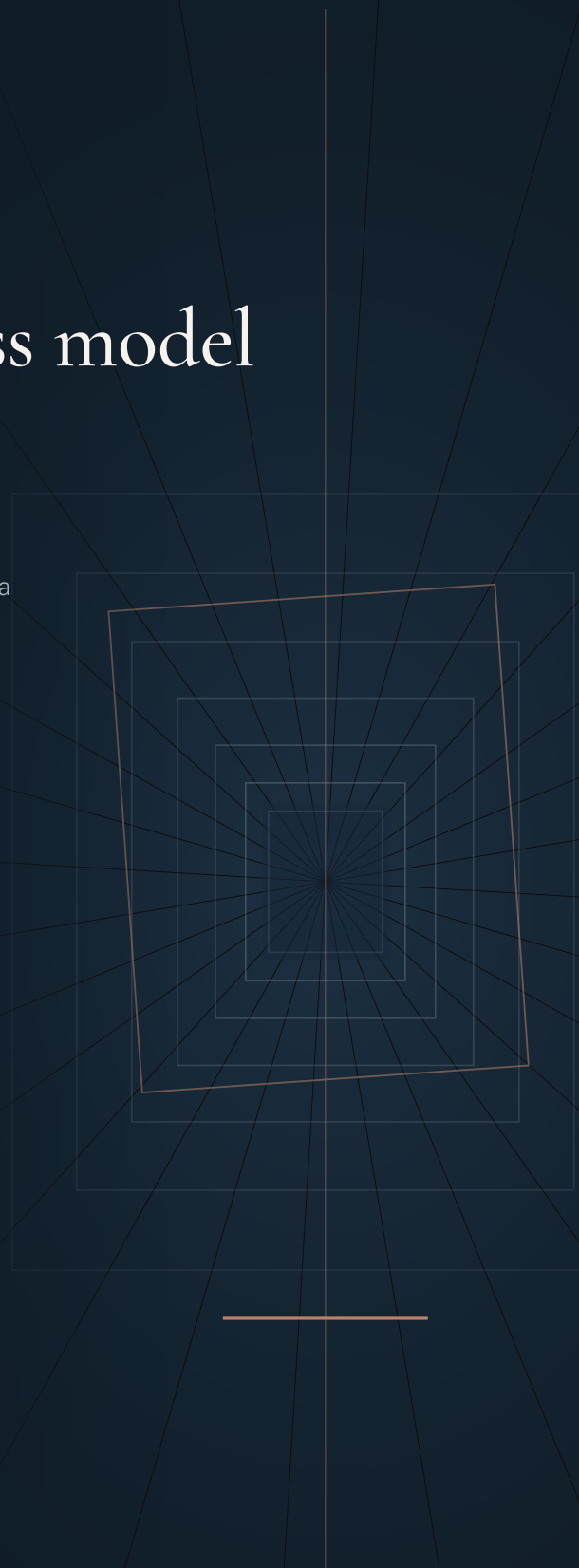


Does the current business model still have potential?

How to distinguish an execution problem from a problem with the model itself, and assess whether the company needs optimisation, redesign or a change of direction



STARTING POINT

A good business model can stop being enough.

A company can still generate sales and have a recognised brand, customers and a competent team, while gradually losing its ability to create value.

This does not always mean that the organisation is performing poorly.

Sometimes the problem is that the model which was once a source of advantage no longer fits the conditions in which the company now operates.

Customer needs, the structure of demand, channel economics, technologies, costs, competition and the scope for scaling the business are all changing.

In such a situation, improving processes, reducing costs or intensifying sales efforts may improve results in the short term, but they will not necessarily solve the strategic problem.

MECHANISM



The first question should therefore not be:

~~“How can we do what we do better?”~~

The question to answer first is:

“Does what we do still create sufficient value?”

HEFT7 FRAMEWORK

Six questions on the potential of a business model.

A business model has potential when it still creates meaningful value for the customer, allows the company to capture part of that value, and can be delivered in an economically and operationally sound way.

HEFT7 assesses its potential through six interrelated perspectives.

I. MARKET AND CUSTOMER

O1 CUSTOMER AND NEED

demand · segment · behaviour

Does the company still solve a problem that customers are willing to pay for?

Is the need growing, remaining stable or losing relevance?

O2 VALUE PROPOSITION

offer · advantage · positioning

Why should the customer choose this particular company?

Is its advantage still relevant, distinctive and sustainable?

II. ECONOMICS AND GROWTH

O3 ECONOMICS

margin · cost · capital

Does the model generate attractive economics at the current scale of operations?

Does growth increase value, or merely increase turnover and capital requirements?

O4 SALES MODEL AND CHANNELS

direct · digital · wholesale · partners

Does the way the company reaches customers match how they want to buy today?

Do the channels reinforce one another, or compete for the same sales and margin?

III. ORGANISATIONAL CAPABILITY

O5 SCALABILITY

resources · processes · organisation

Can the model grow without a proportional increase in costs, complexity and risk?

Can the organisation replicate its way of operating without losing quality and control?

O6 RESILIENCE AND ADAPTABILITY

market · technology · competition

How sensitive is the model to changes in external conditions?

Can the company adapt the model without losing its core source of value?

HEFT7 PRINCIPLE

A strong business model combines customer appeal, sound economics and the ability to execute.

EXECUTION OR MODEL

Similar symptoms can have entirely different causes.

01**SALES GROWTH IS SLOWING****AN EXECUTION PROBLEM MAY MEAN:**

weaker conversion, insufficient sales activity, availability issues, poor channel management.

A BUSINESS MODEL PROBLEM MAY MEAN:

declining demand, loss of advantage, market saturation, or an offer that no longer fits changing customer needs.

02**MARGIN IS DECLINING****AN EXECUTION PROBLEM MAY MEAN:**

pricing errors, overly frequent promotions, weak purchasing negotiations or the wrong mix.

A BUSINESS MODEL PROBLEM MAY MEAN:

structurally low pricing power, rising customer acquisition costs, persistent competitive pressure or a model that depends on constant discounting.

03**GROWTH REQUIRES EVER
MORE CAPITAL****AN EXECUTION PROBLEM MAY MEAN:**

excess inventory, receivables, inefficient processes or poor planning.

A BUSINESS MODEL PROBLEM MAY MEAN:

a business structure in which each further stage of growth requires a disproportionate increase in assets, infrastructure or working capital.

THE KEY DISTINCTION

An execution problem means that the company is doing the right things, but not well enough.

A business model problem means that even good execution may not be enough.

QUALITY OF GROWTH

Don't just ask whether the company is growing. Ask what is driving the growth.

Revenue growth alone does not confirm the quality of a business model.

A company can increase sales while losing margin, tying up ever more capital, increasing operational complexity or making its results dependent on individual customers, products or channels.

That is why a model's potential should be assessed through the quality of its growth.

01

QUALITY OF DEMAND

Is growth driven by genuine demand, or by promotions, discounts or increasingly expensive customer acquisition?

ORGANIC DEMAND ↑ VS ACQUISITION COST ↑

02

QUALITY OF MARGIN

Do additional sales improve the bottom line?
Is the margin maintained as scale increases?

MARGIN MAINTAINED VS DISCOUNT PRESSURE ↑

03

QUALITY OF CAPITAL

How much additional inventory, assets and working capital does the next stage of growth require?

VALUE CREATED ↑ VS CAPITAL EMPLOYED ↑

04

QUALITY OF SCALING

Does the next stage of development require a proportional increase in costs, people and complexity?

SCALE ↑ VS COMPLEXITY ↑

THE MANAGEMENT QUESTION

Is the company scaling value, or just scaling activity?

DECISION MAP

What to do when the model no longer works as it used to?

Not every strategic problem requires building a new business from scratch.

The scope of change should match the depth of the problem.



OPTIMISATION



STRENGTHENING



REDESIGN



CHANGE OF DIRECTION

01

The model remains attractive.

The problem lies in execution, costs or productivity.

DIRECTION:

IMPROVING THE
CURRENT MODEL

02

The core model still works, but its advantage is weakening.

The offer, market position or route to the customer needs to be strengthened.

DIRECTION:

REBUILDING THE
ADVANTAGE

03

The model creates value in only part of its current configuration.

Channels, formats, portfolio, revenue model or cost structure need to change.

DIRECTION:

REDESIGNING
THE MODEL

04

The existing source of value is losing relevance or economic sense.

The company must define a new source of growth, a new value proposition or a new business model.

DIRECTION:

STRATEGIC
TRANSFORMATION

HEFT7 PRINCIPLE

The deeper the problem, the less effective it becomes to refine the existing model.

QUESTIONS FOR THE BOARD

10 questions before deciding on the model's further development.

01 Is the customer need on which the model was built still growing, or does it remain relevant?

02 Do customers still have a clear reason to choose us over the available alternatives?

03 Does sales growth translate into higher earnings?

04 Is the margin maintained as scale increases?

05 How much additional capital does the next stage of growth require?

06 Do all channels and segments create value, or do some of them merely increase turnover?

07 Is the company's advantage based on something that competitors can easily copy?

08 Can the organisation scale the business without a proportional increase in complexity?

09 Which elements of the model create more value today than at an earlier stage of development, and which create less?

10 THE THRESHOLD QUESTION

If we were designing this business from scratch today, would we build it the same way?

If the answer is “no”,
it is worth establishing exactly why.

HEFT7 PERSPECTIVE

The greatest risk is not always poor execution.

*Sometimes it is the very good execution of a model
whose potential is gradually running out.*

Companies rarely lose their advantage in a single moment.

More often, the current model continues for a long time to work well enough not to force change, but less and less well enough to create the next stage of growth.

That is why the assessment of a business model should separate two questions:

Can the organisation execute the current model well?

and

Does the current model still deserve further investment?

Only then can the right direction be determined:

01 OPTIMISATION

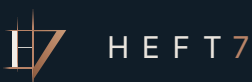
02 STRENGTHENING

03 REDESIGN

04 CHANGE OF DIRECTION

If the potential of the current model is not clear-cut, what is needed is a diagnosis of the sources of value, the economics and the scope for further scaling.

Joanna Smolarczyk
FOUNDER, HEFT7



GIVE CHANGE WEIGHT.

HEFTSEVEN.COM

BERLIN · EUROPE

heftseven.com
info@heftseven.com

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