Chapter 1
What Are the Cornerstones of a Brilliant Business Model?

- *The truly brilliant business models do not arise accidently but are almost always based on a deep ambition to make a difference and to capture a unique new spot in the world. They are driven by the "why." The cornerstones of a brilliant business model are the vision and the brand positioning. A vision sets an organization in motion. It explains where the organization comes from, what the organization is and what it wants to be. In other words, an organization's vision is the most essential component underneath its business model. Everything the organization undertakes must be verifiably consistent with this touchstone. The vision of an organization can be defined by its higher goal, its audacious goal, its core values, and its core qualities.*
- *Brand positioning. The brand positioning is the position the organization wants to occupy in the minds of existing or potential customers. The positioning of a brand can be defined by its brand essence, its brand roots, its brand promise, its brand values, and its brand proof.*

The conceptual framework used in this book was developed in the field based on a number of proven and oft-used business models and insights. It has been honed in our own work at the Dutch insurer Achmea and at the consultancy firm &samhoud.[1] It is a general business framework that can be applied in different sectors. It is frequently used in for-profit and nonprofit organizations. It has also been used to describe (1) an organization's specific brand or proposition or (2) the joint activities in a network or chain of organizations. It has even been used as an aid by individuals who wanted to describe themselves relative to the rest of the world.

For a number of specific parts, other terminology is used in various sectors (which incidentally reveals a lot about the perspective of the various organizations). In this work, the choice has been made to adopt the most used umbrella term in management literature. Take, for instance, the target group or users for which/whom the organization exists. They are often described in terms of what someone does in

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[1] Kemperman et al. (2013).

relation to the relevant provider. In that case, we usually talk about nouns derived from verbs. Examples of this include viewers, readers, guests, shoppers, or callers. Within healthcare, it concerns, for instance, patients (for healthcare practitioners), the insured (for healthcare insurers) or voters (for politicians). Keeping in line with management literature, we will use the umbrella term "customers" in this context.

The framework for brilliant business models arose as a direct result of the conclusions drawn from the analysis of a large number of organizations achieving exceptional results. These businesses realized rather good profit margins, extremely satisfied customers, very engaged employees and a better society. All these aspects made them in our eyes brilliant. We discovered that these exceptional companies have more in common that rises above the business model alone. Specifically, every one of the businesses in question is vision-driven. In addition, their brand positioning is completely in line with their vision. Further, the vision is converted into the "capillary system" of the business model. Everything ties together in the cases that we researched. In short, a brilliant business model that creates value for all stakeholders is not brilliant merely due to the business model used. This confirmed our sense that many existing business models are focused too much on one of several considerations—vision, brand positioning, business models, or value creation—instead of taking a broader look at how strongly they actually cohere with and should reinforce each other to build a truly brilliant business.

The ambition in developing the framework for brilliant business models was to integrate vision, brand positioning, the actual business model, and value creation into a conceptual model in order to develop and understand them coherently.[2] Throughout this process, the main message was that the brilliance of a business model is substantiated by balanced value creation for all parties concerned. Becoming successful always requires a good balance between both "inside out" and "outside in"—between making promises and fulfilling them.

The integration and application in one conceptual framework is innovative. The cornerstones and building blocks from this model originate in existing and proved concepts, as well as in the theory and practice of others and ourselves. This relates to theories, models, and insights regarding vision, strategy, segmentation, value chains, value creation, chain management, organizational change, marketing, positioning, and brand management. Similarities to known concepts are, in short, no accident, but rather the result of diligent study and conscious learning and copying by the authors. Thankful use has been made of existing brainwork and the prestige of giants such as Collins, Heskett, Zeithaml, and Aaker. And it makes this approach easier to work with in practice, for many companies have already gained experience with it.

If an organization or brand wants to create sustainable value, a thorough foundation is vital. In that case it concerns the vision of the organization on the one hand and the brand positioning on the other. To put it differently, the answer to the question "Who do you want to be?" (vision) must be fully coherent with the answer to the question "What position does the brand have to occupy in the minds of customers?"

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[2] Previous books which laid the basis for the conceptual framework of brilliant business models are, in particular, Kemperman and Trampe (2012) and Geelhoed et al. (2014).

(brand positioning). It is evident that organizations with brilliant business models generally have an inspiring and authentic vision and brand positioning that is inextricably linked with their business model. It is for that reason that this chapter will first discuss vision and then brand positioning.

1.1   Vision[3]

"The beginning is the most important part of the work."

—Plato, *as cited by Richard Branson*

A vision sets an organization in motion. It explains where the organization comes from, what the organization is and what it wants to be. In other words, an organization's vision is the essential component. Everything the organization undertakes must be verifiably consistent with this touchstone.

The vision of an organization can be defined by answering the following four questions[4]:

- *Higher goal*: Why do we exist?
- *Audacious goal*: Where are we going?
- *Core values*: What do we stand for?
- *Core qualities*: What do we excel at?

It sounds logical to assume that a brilliant business model begins with researching the market by means of customer interviews, competition analyses, and market research. Based on the identified hole in the market, a suitable offer is made. After all, it is eventually about the needs of the customer, one might think. In other words: find out what the needs of the customer are and anticipate that.

Well, that is *not* the way things work at the start with brilliant business models! On the contrary, Brilliant business models almost always seem to start from the organization's own vision of what they want to offer and change in their environment (inside out). This is nevertheless often a dream defined by looking from the outside world at the organization's future activities or desired change. The first motive is usually an insight that makes it possible to fundamentally serve customers better, that shakes up the market or that is considered beautiful and nice to create by the founders. It is only afterwards that tests are conducted (or simply attempted) as to whether customers are waiting for something like that to happen. And if it is in fact pioneering, it often concerns latent needs. No IKEA customer would have gone to the store mentioning that they want a set of shelves and a set of instructions in a box when what they really wanted was a bookcase. Whereas a business model ultimately only works if it is in line with what the organization is and what customers

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[3] Aside from Kemperman et al. (2013), reference can be made to Collins and Porras (1994), Van der Loo et al. (2007), and Geelhoed et al. (2014).

[4] Van der Loo et al. (2007).

want, the vision has been deliberately chosen as the starting point in this theoretical foundation (and later also in the case descriptions in this book).

The ways in which organizations define their vision can vary. This also includes differences in the terminology used. For instance, elements of the visions can also be found in texts concerning mission, values, identity and strategy. This book describes an organization's vision based on its higher goal, its audacious goal, its core values, and its core qualities.[5]

The founder's vision often forms the starting point of a brilliant business model. From that moment on, however, the vision is not set in stone. Especially when success is achieved, there is an extra challenge to renew the vision with all parties concerned. The vision serves as the basic philosophy (the root) for the picture of the future (the wing) of an organization.[6] Jim Collins and Jerry Porras reveal in their research into successful visionary companies that these organizations are able to continuously find a good balance between retaining their core (ideology) and stimulating progress (ambition).[7] The higher goal and the core values are primarily associated with the roots and the identity that the organization wants to maintain. The audacious goal and the core qualities are more dynamic in nature and give substance to stimulating progress based on a common ambition for the future.
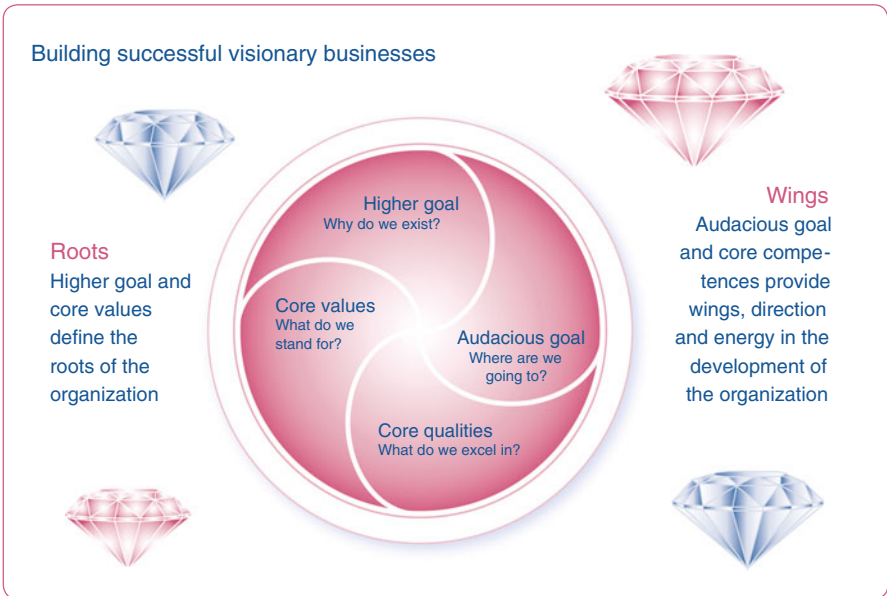
Building on your core guarantees a link to the identity and strength that traditionally form the core of the organization. In this way both knowledge and expertise,

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[5] Idem.

[6] Vision described as such by Franzen and Van den Berg (2003).

[7] Collins and Porras (1994).

which are embedded—consciously or not—in your people and processes are utilized. A good link to the activities where the organization has always proved itself serves as a recognizable focal point, making it possible for customers and other parties concerned to understand why it is (and feels) logical that you, as an organization, are operating in the relevant market and are able to make a meaningful, distinctive, and attractive offer.[8] Whereas products or technologies can often be copied, an organization's unique approach generally cannot—and certainly not when it concerns the work of man, such as those of healthcare providers, where this aspect is deeply embedded in the organization's own employees.

The formulation of a vision for an existing organization is not an "invention" but rather a discovery or rediscovery. It is an incremental or fundamental definition or redefinition of what is already in the organization in terms of roots and potential. The discovery or rediscovery of an organization's vision is sometimes compared to the manner in which the Italian Renaissance artist Michelangelo (1475–1564) made his sculptures.[9] Michelangelo shared the conviction of Socrates that every block of stone has a statue inside it and that it is the task of the sculptor to discover it. By hewing away the rough walls, he can reveal the figure "imprisoned" in stone. Likewise, the vision is encased in the organization. It has to be taken out by removing the unusable and obscuring parts. In order to make maximum use of a vision, it is necessary for this vision not only to be visible and clear, but also that it is shared. Only then can it serve as both a fundamental, common basic principle and a guiding touchstone for everyone in the organization.

A clear and shared vision provides a common starting point and goal. An organization's vision can be defined (or jointly specified in the development of a vision) by answering the following questions[10]:

- *Higher goal: Why does the organization exist?* This reflects what the organization's *raison d'être* and essence are and what it wants its core to be. The higher goal indicates in a clear, inspiring, and concise way what an organization's ideals are and what unique contribution it provides to all stakeholders. It gives a sense of purpose. In doing so, the higher goal provides a fixed focal point and a guideline for each action. For instance, the higher goal of The Walt Disney Company is: "to always deliver, with integrity, the most exceptional entertainment experience for people of all ages."
- *Audacious goal: Where is the organization going?* This is a challenging picture of the future that nonetheless can be achieved through maximum effort. It relates to the dream(s) that an organization wants to achieve. The primary function of an audacious goal is to provide energy and an upward spiral for all involved stakeholders. The end result must be defined as specifically as possible, including the deadline by which it has to be accomplished. The archetypal example of an audacious goal is the ambition formulated in 1962 by President John F. Kennedy to committing the USA to achieve the goal "of landing a man on the moon and returning him safely to earth, before the decade is out."

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[8] Taylor (2007).

[9] Kemperman and Trampe (2012).

[10] Van der Loo et al. (2007).

- *Core values: What does the organization stand for?* These are deep-seated convictions that reveal what an organization's members think is correct and vital. They are moral objectives that individuals strive to pursue and value, and that motivate them. Values also have emotional overtones: they reveal what individuals really like to do. The core values of IKEA, for instance, can be defined as simplicity, cost-consciousness, and common sense.[11]
- *Core qualities: What does the organization excel at?* Core qualities reflect what areas an organization is extremely good in, where it excels. These are the deep-down characteristics, gifts or strengths typical of an organization that result in superior performance.[12] The core qualities of Aravind Eye Hospital in India are, for instance: top-quality eye care, connection, and improvement.[13]
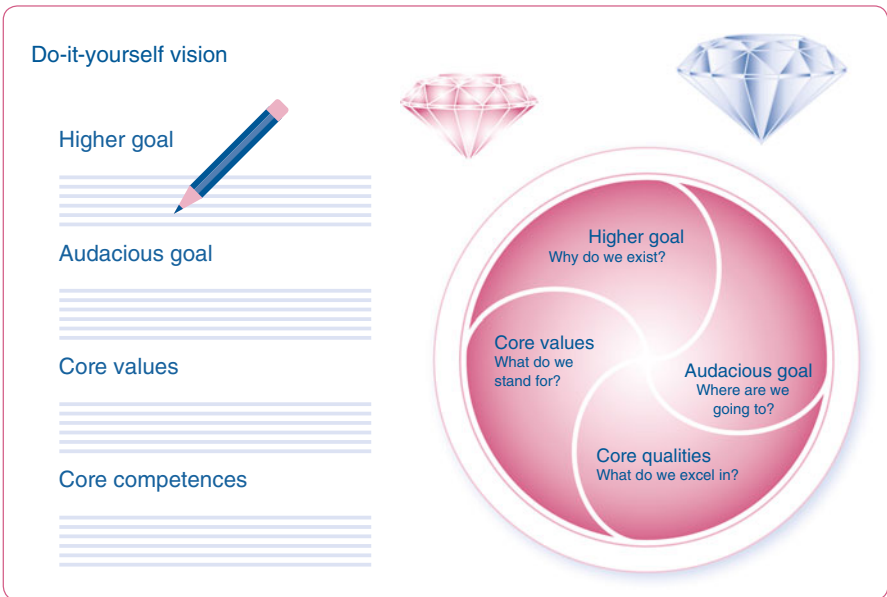
1.2 Brand Positioning[14]

The positioning or brand positioning is the position that the organization wants to have in the head of existing and potential customers in relation to other brands on the market. This choice provides the answer to the question: "Who do you want to

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[11] Kemperman et al. (2013).

[12] Hamel and Prahalad (1994).

[13] Kemperman et al. (2013).

[14] For brand positioning, reference is also made to Ries and Trout (1981) and Aaker (1996).

be on the market for which customers?" As a result thereof, two questions are spanned: "Who do you want to be?" and "Which customers do you want to serve?" Like the organization's identity, good positioning is not an invention but rather a discovery. The formulation thereof is therefore a voyage of discovery based on the question as to how and in what aspects the organization can be (more) exclusive or special for the existing or potential customers on the market. If such a voyage ends with positioning that feels completely new, then something went wrong along the line and became artificial, whereas it should really be genuine. Not surprisingly, the same holds true for the repositioning of an existing business or brand. But even the positioning of a completely new organization must somewhere logically tie in with the latent needs and gaps at the parties concerned and in the world. Consequently, really good positioning also feels in this case more like a discovery of something that should have been there all along.

The image that you want to project to the outside world through the positioning or brand positioning must be in line and even connected with what you really are and want to be in the vision. The positioning of a brand is the position the organization wants the brand to occupy in the hearts and minds of existing or potential customers. The positioning of a brand can be defined by the following five questions:

- *Brand essence*: What is the fundamental core and heart of the brand?
- *Brand roots:* What are the brand's origins and credibility?
- *Brand promise:* What are the benefits to be offered by the brand?
- *Brand values:* What are the brand's underlying values and personality?
- *Brand proof:* What must be accomplished in a compelling and distinctive way?

In order to be embraced by customers, shareholders, and society, a brand must first be embedded in the heart of its employees. Those brands for which this condition is valid are the most powerful and sustainable. Employees go public and their brand perception must therefore be authentic and consistent. That is the difference between *having* a brand and *being* a brand.[15] In order to realize that, a brand must have been directly linked to the vision. Therefore, the elements from the four components of the vision provide input and inspiration for the positioning of the brand.

This can be defined by the following five elements[16]:

- *Brand essence in core and heart.* What essentially distinguishes us from other brands and is that distinction relevant to customers? What is the essence in a limited number of key words? As a result, what is the heart and soul of the positioning?
- *Brand roots in origin and credibility.* Where do we come from? What is our story and why do we exist? Which roots and historical bonds exist with the market? How do these origins give the organization a basis for credibly fulfilling a role on the market? What is the connection with the higher goal for which the organization stood and stands? How is this embedded in consistent and clear visual char-

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[15] Winter and Van der Weijden (2008).

[16] Kemperman and Trampe (2012).

acteristics (color, logo) by which the organization's distinguishability is guaranteed for the long term?

- *Brand promise in benefits.* What is the promise to the customer that is part of the audacious goal and how is that formulated forcefully and succinctly. What does the organization stand for and what does it mean specifically from the customer's viewpoint? What difference does the organization promise to make in the customer's life or business operations?
- *Brand values in values and personality.* What does the brand stand for and if the brand were a person, what type of person would it be? What is the personification of the core values? Where was it born? Which friends does it have? What type of clothes does it wear? Or more fundamentally: what is it like to be this person? Are there other archetypes, such as an animal, a political party, or a car that help define this personality?
- *Brand proof in compelling and distinctive qualities.* How is the customer going to experience that the organization does not make any empty promises, but rather actually make a difference? What is the evidence that the organization is delivering or can deliver on the promised benefits based on its core qualities? What are the unique resources (such as distribution channels, technology, or buying advantage) on the basis of which it can fulfill promises to the customer daily?