

Innovation, Business Models and Entrepreneurship
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Lecture - 37
Business Model Failure: Reasons and Remedies

Hello again. Now, carrying forward with business models and value proposition there is a very important and a basic question which comes to our mind is that how to enhance the value.

But before that there is an important element which comes to our mind is that what if it fails or what should we do when it fails. So, business model failure is a basic and a major question because when business model evolves or business evolves at large resources have been infused, investment has been done, people have been involved market forces have been involved, there is an image associate with that, there is a positioning associated with that. And one does not after so much one does not wants it to get over so easily and then one associates his or her ambitions with or the organizational ambition also gets through with such kind of a proposition.

And there are several examples wherein you know things have come to that kind of situation they there are there have been so many products, there have been so many organizations which have gone through such kind of a phases. One cannot say that this was the mistake of x or y, or x factor or y factor because retrospective analysis is very easy to do largely we just spread this story and you tend to identify the problem generators and then you say that this was the problem.

So, it is its fairly easy. Because when you are actually doing things then you never wanted the process to get failed. We have seen so many automotive products which have come in due course of time and they did not work so well. We have seen products which have done exceptionally well cross the particular stage of growth reach to stagnation and then dipped down. We I along with two of my colleagues we wrote a case study on an organization called jaws polymers which came into the business of pet this plastic bottles and jars, and since their inception they could not do well and after a particular stage they stumbled and they failed. And to recuperate from that failure they had to struggle and

after a particular stage they could repair their debts, but they could not earn lots of profits or let us say they could not do well as far as their business goes.

In the meanwhile the other participants of that industry or let us say other organizations belonging to that industry they did exceptionally well and many of them they created their own brands. You see this is an example wherein one organization enters or an entrepreneur enters into a business, and this entrepreneur basically is one of the early entrants into that particular industry when no one is largely thinking of that kind of a business. And he has an early mover advantage also the market is ripe for such kind of a business and orders are flowing in and still you could not do well. So, that is one situation.

As I said several automotive companies have faced failures with their models they there are examples wherein a whole of the company has relied on a particular kind of a car or a model and still has not done well. There are several airlines or let us say there was a low cost airline which did exceptionally well after a particular stage, they were taken over by another airlines and they somehow failed cumulatively at the end of the day. There have been so many insurance companies which have not done well, there have been apparel companies which have not done well, there are portals or let us say there are platforms, online trading platforms or online consumer goods selling platforms which have initially done well, but are not doing or stagnating at this moment or not doing well.

So, all these examples they take us towards three aspects as I said retrospective analysis when things are over it is slightly easy to understand. But what is to be done when this moment of failure is about to approach or failure is coming and if it happens suddenly what is the remedy kind of and what reasons have to be identified as the major reasons for the same. Now, that is where one has to think about.

So, when we were talking of the canvas associated with value proposition and when we were talking with reference to the elements of business models and value proposition we were referring to the partners, we were referring to the customers, we were referring to the processors, the products, and the proposition the company have in totality as far as the offspring goes. We also should remember while discussing that picture is that if any of the elements does not do well or let us say is not in sync with the complete process, or the larger picture, or to be precise if any of the element is not generating the value it is

suppose to then there might occur a failure or let us say a partial failure or it might instigate a process of failure later on.

So, for example, an automotive company is very good as far as its design approach is concerned, but somehow they could not fathom or analyze that what their customer actually wants. And they create a product which is good which is logically fine as far as the present situation goes utility goes and several other aspects associated with that product. Their partners and suppliers are in sync with them they are working fine as far as production of that process goes everything is in place. But somehow when the product comes in front of the customers, the customer is though the customer was excited about this product to come to fore, but the customer response is not that good. So, that that takes us to a situation that somehow we could not analyze the actual desire of the customer in association with that product somehow the customer actually does not feel so delighted to look at the final product actually somehow.

So, same happens in several other cases or you know with whichever failure you may count upon at this moment. There have been let us say food chains or restaurant chains or let us say there they are having shoes which have been marketed after a particular long analysis and due course, but they could not do well. So, the message here is that if any of those elements is not generating the value it is supposed to a process of failure might get instigated.

So, then we have to analyze while thinking in terms of what is not working properly. We have also have to analyze that what is working properly actually, what is the element which is actually working properly because to avoid failure we may further focus upon the element which is actually working properly. So, if we are very strong and as far as our customer perspective goes then we may direct that towards recuperating or let us say towards correcting the problems which may have which we may have a at the process end or let us say at the end of the partners

So, then the next question is that if somehow everything is working ok. But still it is not working according to the potential which maybe there or which should be there then also there would be a chance of failure.

I have realized this in several examples wherein my one of my favorites is publication industry, book publication. Wherein everything is in place they tend to chose best of the

authors who have a lot of knowledge and they try to put up their knowledge in a very structured format in terms of books or you know kind of case collections or text books or reference books and lots of hard work goes in as far as the book production or a book publication goes, wherein a lot of editors they are involved, review words are involved. And a lot of voluntary work is also being done here, but because it does not yield so much of you know price for everyone in this in this kind of an industry.

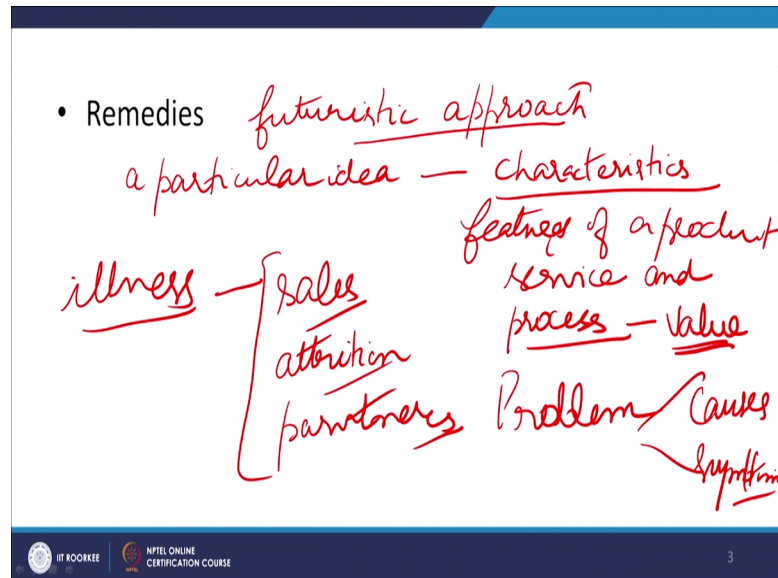
And after a particular stage the number of students is always rising and, but somehow at the end of the day you feel that the sales of the books has reduced because somehow people purchase books or require books, if they mandatorily have to do it otherwise they do not tend to open and read books. And even if they have books they do not read books. I do this general survey of the students and I tend to ask them that how many books you have read completely and seldom I find this answer that they have done this actually.

And how many books have you read at the end of the course for example, you are into a 4 years course or 3 years course and how many books you were supposed to read and how many books have, you actually read it is a huge gap basically. So, everything is in place, but somehow these people are unable to understand or unable to analyze that why the sales is getting stagnated or why the sales is getting reduced, is it because of a lot of internet based content or let us say online content. If it is then one has to analyze that how that content can be enriched. But after analyzing this situation one finds out and the publishers they tell me and I also realize that internet content provides complementary kind of a content as far as the text book goes the fundamental textbook cannot be so easily replaced. Fine, it is downloadable or it is in e form that is a different issue, but textbook cannot be so easily replaced.

So, that is where one has to think in terms of that everything is in place everything is right, but still somehow they are not working according to their potential. And to do that they have gone for an incremental change as far as provision of content or the delivery of content goes they have tried to provide you a book, and then they have given you a login id where you can get connected to their platform, and then use that book with different kind of you know in different kind of ways they have connected authors, with the readers and authors keep on riding on that how they would recommend the readers to read the book and so on. The story is endless, but again it is a very big kind of a question

when you think in terms of you know what is to be done. So, what is the remedy like, what are the elements of how should we come out of the situation.

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One is futuristic approach. What is futuristic approach? It is very simple you ask your parents or elders that what did they think about you when they were nurturing you as a human being. And you would suddenly realize that they had a particular idea of a particular idea of your characteristics

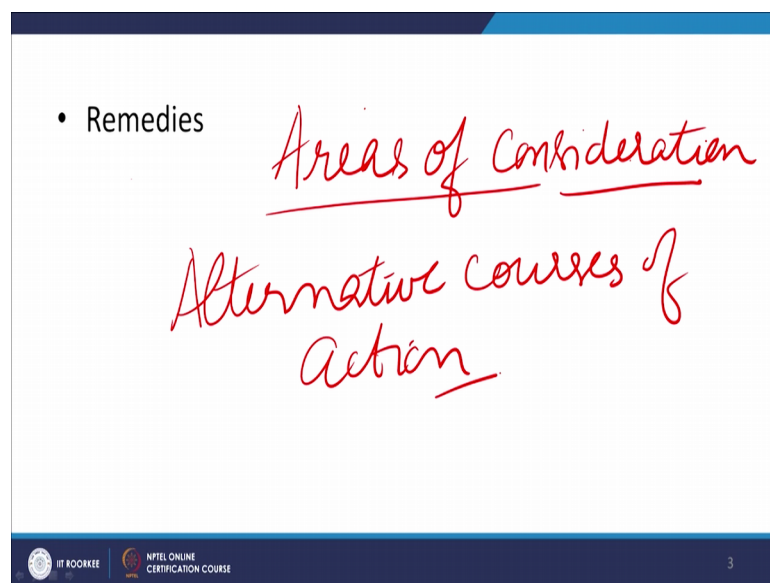
Now, when I say characteristics that is the features of a product, service and process, when you say features it is associated with the value that may generate your parents or elders have always been thinking in terms of that what kind of value this person would add to the society later on. When you raise your kids you always think in terms of that how what would they do and how would they do that to make their own lives comfortable and to contribute meaningfully as far as the society and the growth and you know development of the society goes. People envision that and then people put the youngsters under particular kind of a training and process and then a product comes in. Same happens with as far as you know this process of remedies or avoiding failure. So, this is about avoiding failure or futuristic approach.

Now, now let us focus on you know precise aspect of when failure is happening actually. So, one failure is happening it provides the science as in case of an illness. Something goes wrong, sales dips down, people tend to leave the organization some attrition is there

we have force it moves out, due to the attraction towards other organization. But the prime reason is that they are not happy there your partners are leaving you. So, somehow there are signs which are happening around you and you are over looking that somehow. Some somehow you are not received so well as far as the present situation is concerned that indication should be taken sportingly well. And that indication should be met with problem identification perspective, that is we have to immediately try and deliberate upon and brings term upon that what kind of a problem is occurring and why.

And then we have to disseminate that problem into causes and symptoms, and while looking at the symptoms we have to eliminate the causes. So, I further elaborate this a kind of. For eliminating causes one has to think in terms of areas of considerations what kind of areas of considerations you have to look for in the whole story.

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We have to look at the areas of consideration, we have to focus upon the areas to eliminate the causes as far as the remedy process goes. You go to a dentists and dentist say and you tell that that my tooth there is a toothache I have. So, dentist does not eliminate the tooth dentist tries to understand the problem and eliminate the cause actually. If you know cavity is a cause, so he tries to fill up the cavity. If something else is there he goes for a root canal procedure and so on.

So, one has to look in terms of for example, we would go to a physician and you say that I have a continuous headache, physician does not straightaway goes for a medicine for

the headache physician says that you should go for an eye checkup also, you have to look for your blood pressure checkup also. So, one has to think in terms of causes and then the causes have to be eliminated. So, areas of a consideration have to be gone for. And then one has to choose for alternative courses of action.

Alternative courses of action are wherein you want to address those causes or eliminate those causes with one or I should say two or more than two mutually exclusive, but equally powerful ways. Because specially in business you have several ways of addressing a problem and you have to think in terms of that what method or way would be more appropriate at this moment to look at this kind of a situation. Briefly you know I should quote a success story in front of you when I say.

For example, this if you would have monitored the growth of this product by Mahindra automobiles Scorpio its one of my favorites. Wherein the earlier product was not doing well organization was going through a rough phase and then a team was constituted by the organization and that team started focusing on designing a new vehicle.

So, we will talk about and referred to that saying more as far as our design thinking discussion goes in the subsequent part. But then you have you know that team started addressing this problem or dipping down of sales or losses with rejuvenating a product with a similar kind of a profile. But entirely you know with entire or let us say a lot of difference as far as the product structure shape and features grow and by having the basic fabric of positioning of being a multi utility or sports utility vehicle which Mahindra had been producing as far as their buckeye of vehicles was concerned they kept that positioning and fabric intact.

But, but again they enhanced the span of that positioning were almost say that is the partially reposition themselves whether different kind of a vehicle and approach and today it is a huge success story when Scorpio has done exceptionally well and on the basis of that vehicle. Now, they have so many vehicles you know in the market and they are being received fairly well. So, that is there.

For example: Royal Enfield. This motor bike almost became a product of the past, but this organization consistently and persistently knowing very well that customer still likes the vehicle, they went for analyzing the customer and the feelings of the customer which you know existed when this product was doing well.

So, we try to analyze that why customer is getting off and getting away and they realize that it is actually not the customer who is getting away. So, customer still likes the vehicle and, but there are several aspects to be catered to some advancements in the processes, some advancements in the product and the profile of the product and then from the side of the partners you know some more commitment from the side of the partners has to be taken. And Royal Enfield try to address everything and they focused upon generating or enhancing the value with reference to the potential of the elements of the whole picture or let us say a value chain they worked upon that kind of you know thing. And finally, we see that Royal Enfield has started doing a well again.

So, the message here is that value generation or let us say keeping up the value would keep you intact, but value enhancement with the perspective of potential associated with an organization or let us say value potential of the value which organization has to provide, so is the most important aspect. And potential and value have to go hand in hand. So, that is to be catered to.

For example, Bata, dept down for a while they were they have been doing exceptionally well and every school boy used to wear Bata shoes earlier. So, Bata did well, but Bata somehow lost on sales and they try to find out that what are the reasons kind of, is there the number of products or let us say the number of models or the types of shoes or the associated products or what do they have to do actually.

So, they try to analyze everything and then they realize that still customer has a very specific brand value in his mind about Bata and they have they still have potential to grow. And then they try to analyze value in terms of potential of value at every portion of value chain and they realize that they have to enhance their presence through their partners and distributors at large. And Bata went for that and they went for enhanced quality, and their quality standards were revisited by them and today Bata is doing quite well.

So, same happened with management education. And I will finish this discussion with this example. Wherein, management education came into India several years back, few institutions supported by them and they initiated management education, and so many stabbers they contributed as far as enhancement and capacitating this management education, so many students they came in and those students have played a pivotal role

in the social development, societal development at large and economic development of the country and abroad is well.

Management education was supposed to play a particular kind of a role and it had to grow exponentially. But despite of the fact that there is a huge demand and supply gap management education somehow could not do well. And today we find someone saying that 90 percent of the people are unemployable or someone saying 70 percent of the people are unemployable. There are several ratios which are being catered to at this moment. But that gives me a you know a kind of a sort of confusion wherein I i feel that what went wrong.

Catering to this kind of a thought we studied this subject at length we talked to people who have been pivotal in delivering a and developing management education in this country. And at the end of the day we realize that somehow whole of the story of a value proposition throughout the value chain did not work according to the potential that potential of the value to be delivered actually or potential potentiality of that value which was supposed to be delivered. And that is how it did not meet the expectations of the industry as well as the aspirants of management education, and it remained restricted to a particular kind of students who still are interested in this education and they are doing, ok. But lots many people they get associated with management education, because of the reasons they do not know.

So, that is where I would end up this discussion.

Thank you.