

## **Booklet 1 of 2**

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# **Value Creation Wheel Applied to Jerónimo Martins Distribuição de Produtos de Consumo and Whymob.**

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## **Abstract**

This thesis focuses on the application of the Value Creation Wheel (VCW), a dynamic tool that enables companies to solve problems and create value while encouraging the participation of multiple stakeholders, both internal and external (Lages, 2016).

First, literature is revisited to gain insight about the concepts being explored in this thesis. Then, it is introduced DIANA, VCW's theoretical framework, and its main contributions to the fields of strategic management, innovation management, and value creation. Finally, are presented the findings from the application of TIAGO VCW's practical tool at Jerónimo Martins Distribuição de Produtos de Consumo (JMD) and Whymob.

**Keywords:** Innovation; Paradoxes; Problem-solving; Value Creation Wheel.

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## **Literature Review: Introduction**

This literature review starts by exploring the concepts of value and value creation as these are the main topics underlining this thesis. Afterwards, it is presented the view of value co-creation, which emphasizes the collaboration of customers and stakeholders in the process of value creation. Then, the Value Creation Wheel (VCW) framework is introduced. Underlining this topic, it is explained how VCW is a tool that promotes innovation and breaks rigid barriers, paradoxes and trade-offs. Finally, VCW's utility for society is highlighted as well as the outcomes of TIAGO, VCW's practical framework, application to real challenges.

### **1. Value and Value Creation**

The concept of value creation has been long studied in the academy and it is central in strategic management literature. Adam Smith (1776) asserted that value “has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys” (Smith, 1776: 26). The first, Smith (1776) named as value in use, and the second as value in exchange, pointing out the argument that value is subjective and depends on each individual's definition according to what is best for them. As such, companies should thrive to offer their customers the highest value possible and this should be the goal of any generic strategy. Porter highlighted the importance of value in customer decision-making, as value is defined by consumers' willingness to pay for a firm product/service (Porter, 1985).

Bowman and Ambrosini (2000) follow the distinction made by classic economists between use value and exchange value. Accordingly, use value is subjective, while exchange value refers to the monetary amount paid in the transaction for the use value created.

The term value is multifaceted and often appears interrelated with value creation and value appropriation (Lepak et al., 2007). These authors claim that the confusion surrounding the topic

is motivated mainly by three reasons. First, since value is a multidisciplinary concept, it originates diverse approaches. Second, there is no agreement about the process that allows value creation. Finally, there is also no agreement about how value is captured by the different value creators. As such, Lepak et al. (2007) define value creation in its different levels as follows: “Value creation depends on the relative amount of value that is subjectively realized by a target user (or buyer) who is the focus of value creation - whether individual, organization, or society - and that this subjective value realization must at least translate into the user’s willingness to exchange a monetary amount for the value received” (Lepak et al., 2007: 182).

Based on conducted research, value is defined in this thesis as the benefit derived by stakeholders, being generated through collaboration, innovation and management processes that aim to leverage a firm’s competitive position in the market.

## **2. Value Creation Theoretical Views**

Over the years, different frameworks have been used to explore the concept of value creation. Since “value is not absolute, but relative, and may be viewed differently by different parties in differing situations” (European Standard, 2000: 12), in this section, three theoretical views are presented.

The Value Chain framework (Porter, 1985) addresses value creation at the firm level by identifying the firm’s primary activities, which contribute directly to value creation, and also the firm’s secondary activities, which are the ones that indirectly contribute to value creation. The value chain explores total value, consisting of value activities, which should be isolated as they are the building blocks of competitive advantage. Accordingly, value creation is related with the configuration of a firm’s activities, depending on the firm’s ability to differentiate its activities, to perform activities at a lower cost or to better satisfy buyers’ needs.

Another perspective for value creation was brought by the Resource-Based View (RBV), developed by (Barney, 1991), who argued that a firm's unique bundle of resources and capabilities can lead to value creation. Firms' heterogeneous resources, which met the so-called VRIN attribute: valuable, rare, inimitable and non-substitutable (Amit & Zott, 2001; Eisenhardt & Martin, 2000) constitute the basis for competitive advantage.

The Dynamic Capabilities Approach (Teece et al., 1997) is an extended version of the RBV theory that takes into account market dynamism and change and thus, focus on the value creation role of managerial and organizational processes, such as product development, strategic decision-making, knowledge creation and capabilities transfer (Eisenhardt & Martin, 2000). Such organizational embedded processes allow firms to build up valuable resources over time and are aimed to create flexible, agile and efficient outcomes, while seeking coordination, integration, reconfiguration or transformation (Teece et al., 1997; Eisenhardt and Martin, 2000), or learning (Smith & Lewis, 2011).

### **3. Value Creation & Co-Creation, Customer and Stakeholder-Oriented**

The aforementioned frameworks address value creation at the firm level, being concentrated in how firms sustain their competitive advantage while creating value to customers (Gummerus, 2013). More recently, the concept of value co-creation has been introduced, underlining the significance of the collaboration between customers and firms in the process of value creation (Möller & Rajala, 2007; Prahalad & Ramaswamy, 2004; Vargo et al., 2008). According to Normann and Ramirez (1993), companies should consider the Value-Creating System as a whole instead of focusing only on individual actors. Parolini (1999) describes the Value-Creating System (VCS) as a group of different activities, interrelated and performed by the different actors, which create value for customers. Möller and Rajala (2007) complement Parolini's definition and consider that business nets, where customers are co-producers of

value, building up on the firm's capabilities are responsible to continuously renovate the potential of the firm's resources. Customers are the ones in the network that define the value of the offer and in this sense, value is subjectively experienced. Under these new visions, value creation is an interactive process where "value, rather than being added during a separated and non-interactive production and consumption process, is co-created, realized, and assessed in the social context of the simultaneous production and consumption process" (Echeverri & Skalen, 2011: 353). As such, the concept of value chain has been replaced by the concept of value net (Kahkonen & Lintukangas, 2012; Möller & Rajala, 2007; Normann & Ramírez, 1993; Payne et al., 2008).

Strategic networks englobe organizations' stakeholders, who establish different relations with the firms and have different demands. Stakeholders can be understood as groups or individuals, who in their interaction with the organization create and capture value (Garcia-Castro & Aguilera, 2015). According to Stakeholder's Theory, an organization's competitive advantage and performance depends on its capacity to address both the demands and resulting externalities of their distinctive stakeholders (Schenkel et al., 2015).

At this point, it is important to distinguish between value creation and value appropriation, since "the total value created by a firm must also include the value captured by its stakeholders" (Bowman & Ambrosini, 2000; Garcia-Castro & Aguilera, 2015: 1). Since the different players possess heterogeneous resources and capabilities, value created is distinct to each group. Total value created by a firm was defined by Brandenburger & Stuart (1996: 8) as "willingness to pay - opportunity cost". However, while value creation results from the different relationships of organizational members, value capture depends on the perceived power of relationships between economic actors (Bowman & Ambrosini, 2000).

#### **4. Value Creation Wheel Framework**

In 2016, a new framework regarding value creation was introduced, the Value Creation Wheel (VCW), developed by Lages (2016). This methodology results of two decades of cooperation and research with companies and academics worldwide. The aim of the VCW is to deal with a variety of complex choices by growing, creating and capturing value.

The VCW can be divided into two major components: DIANA and TIAGO. The DIANA theoretical framework (see **Appendix 2**) presents a wide view of the theory, which provides a comprehensive approach for dealing with global and local problems. As such, DIANA is based on theoretical rationales and includes the guidelines for the implementation of TIAGO, the practical framework. The development of DIANA framework was based on practical cases, both successful and unsuccessful, and on the analysis of the literature. The TIAGO component is adaptable to each individual case, thus providing a more specific and tailored approach for the VCW user. Within the TIAGO framework (see **Appendix 3**), the Value Creation Radar (VCR) is a simplified version of the VCW, ideal for projects with short time frames and/or limited financial and human resources. For instance, the VCR can be used to easily locate the right market for a foreign expansion. If further research is needed and more resources are to be allocated, other VCW cycles can be conducted and the 15Is of Innovation can be implemented. Within the five TIAGO phases, the 15Is comprise a wide range of elements (e.g., filters, frameworks, concepts, among others) collected, developed, and created during the last two decades while building on the experience from various industries (Lages, 2016).

##### **4.1. TIAGO Framework – The Practical Application Tool of VCW**

TIAGO, the more practical instrument of VCW, is composed by five different phases. The first one is denominated as Tap and its main goal is to define the research question to be examined. At this stage, organizations review and contextualize the main challenges to be addressed. In

order to gain insights about the specific problem, it is critical to define and characterize the market space, to search and to understand subjacent trends, targets and value propositions. This stage provides input to the next stages and allows researchers to “amass knowledge of the domain of interest and related and unrelated domains” (Andrews & Smith, 1996: 175). The duration of this stage is highly variable as research questions might be clearly defined at the beginning or might evolve with the progression of the analysis made.

The second phase is called Induce and is divided in generation of ideas and generation of filters, collected through different processes and involving multiple stakeholders. The ideas are the solutions proposed to answer to the problem in hand, while the filters are the criteria to apply in the selection of the ideas. In the process of ideas and filters collection, the framework suggests the application of the Poker Method (see **Appendix 4**), developed by Lages and Hartmann (Lages, 2015). This method allows participants to validate, review, multiple and/or eliminate ideas and filters suggested, being a tool to refine input and ideas/filters created.

In the Analyze phase, the third phase, the key decision makers of the company play a fundamental role in the overall framework process as they classify the solutions and filters coming from the previous phase (Lages, 2016). This classification impacts the final outcome as it “depends on the hierarchy and control systems within the organization, and the number of internal and/or external stakeholders involved in the process” (Lages, 2016: 3). At this stage, the Poker Method is crucial, as key decision makers are the ones with the power to decide the final ideas and filters. By the end of this phase, key decision makers determine ideas’ potential and rank filters from the most to the least important (Lages, 2016).

The next stage of the framework is called Ground phase. At this stage, the Value Creation Funnel (VCF) is created. The VCF consists on a practical instrument composed by the ideas and ranked filters with the highest potential. Its main goal is to narrow the set of potential solutions by applying the filters from the most to the least important. The VCF is a tool that

allows to “identify the solutions with the highest potential in a particular context” (Lages, 2016: 6). It is also important to state that the VCF should be flexible, meaning that it should “give open space to consider the human factor, emotions, ideas, solutions, and strategic filters” not shown by the top-managers in the previous stage (Lages, 2015: 6).

The final phase of the TIAGO framework is the Operate phase, where key decision makers should decide on a “Go, No-Go or Check” basis about solutions’ future operationalization (Lages, 2016). If they decide to Go with the presented solution(s), an implementation plan should be designed accordingly.

## **4.2. Value Creation Wheel and Organizational Innovation**

### **4.2.1. Defining Innovation**

To better understand the capabilities of the VCW it is important to relate the concepts of innovation and value. According to Schumpeter’s Economic Development Theory (1934) “innovation is the source of value creation” (Schumpeter, 1934: 497). Fried (2005) and Drucker (1985) also associate the two concepts by stating that “innovation can be defined as the application of new ideas to the products, processes, or other aspects of the activities of a firm that lead to increased value” (Fried, 2005: 4). However, for some academics the relation between innovation and value creation is not so straight. Besides, Daniel and Klein (2014) claim that “the concept of innovation remains abstract, ambiguous and diffuse”, being impossible to measure the real impact innovation has in value creation (Daniel & Klein, 2014: 23).

Innovation concept has evolved over time. More than ever, innovation is seen as a requirement that must be fulfilled by modern organizations (Daniel & Klein, 2014). It determines firms’ position in the market, being considered by Dogan the most powerful competitive weapon (Dogan, 2015). Accordingly, the importance of management innovation has been increasing, since it is considered a resource that allows firms to introduce novelty raised by innovation.

Moreover, firms are changing from a close to an open innovation system, which supports “that companies can leverage the knowledge generated externally to improve their innovation performance” (Petkovski et al., 2015: 93).

Another important question that arises when discussing innovation is related with its sources. According to Schumpeter (1934), “introduction of new goods or new production methods, the creation of new markets, the discovery of new supply sources, and the reorganization of industries” are all sources of innovation (Schumpeter, 1934: 496). Nonetheless, new sources of innovation have been arising and recently creativity has been appointed as a very important source. Leonard and Swap (1999) are scholars that studied the connection between innovation and creativity stating that “innovation is the end result of a creative activity” (Leonard-Barton & Swap, 1999: 3). Moreover, Dogan (2015) defines innovation as the visible concrete and solid result of creativity (Dogan, 2015).

#### **4.2.2. Value Creation Wheel as an Innovation Promoter**

The VCW is a tool that stimulates innovation and creativity in companies. VCW’s second stage is the one where this is more visible, as ideas and filters generation involve the participation of a wide range of stakeholders, from laggards to lead users. The main concern in the Induce phase of TIAGO framework is the quantity rather than the quality of the ideas and filters and thus, all are considered valid. Furthermore, since VCW supports the participation of multiple stakeholders, it allows the creation of a high number of ideas and filters. Actually, this is one of the main advantages of open-innovation, since generally the value of the best idea increases with the variability of ideas (King & Lakhani, 2013).

#### **4.2.2.1. Induce Solutions**

The first part of the Induce phase is ideas generation, which has been growing as a widely and routinely process applied by organizations, being recognized as an “important stage or component process in models of creativity and innovation” (Litchfield & College, 2008: 649). Academics started to question the value of ideas that come from company’s outside area of expertise (Franke, 2015). Although lead-users (Von Hippel, 1986) may seem the group that can exercise the highest contribution, Lages (2016) also mentions the innovation resistance people and laggards as relevant groups. Groups that seem to resist to innovation are the ones who play the “devil's advocate” role. The devil’s advocate stimulates discussion since he holds a dissenting view and therefore, contradicts and counterarguments the majority (Grant, 2016). One the other hand, laggards are defined as “the last group of users to adopt a product” (Jahanmir & Lages, 2015: 8). Conducted studies suggested that laggards can have a significant contribution to the process as they “tend to want simple, cost-effective products focused on specific uses” (Lages, 2016: 7). For this reason, they play a vital role in identifying “critical filters that explain why products/services might succeed in the market” (Lages, 2016: 7). The Lag-User Method aims to involve laggards in the process of “idea generation and new product development” (Jahanmir & Lages, 2015: 1).

In order to be more flexible, creative and efficient, organizations have been using methods to promote innovation and creativity (Shalley, 2002). Ideas can be collected through distinct methods namely brainstorming sessions, bank of ideas, crowdsourcing, networking, open-innovation, focus groups, innovation contests and workshops (King & Lakhani, 2013; Lages, 2016; Pearson & Tony, 2015; Schrage & Kelley, 2001). Accordingly, companies should base exercises on Osborn’s brainstorming rules and prevent criticizing any of the ideas, in order to not neglect ideas (Osborn, 1957). The practice of different exercises is justified by the fact that there are contrary views regarding the benefits of each of them. Regarding brainstorming, while

some argue that this creates more ideas than people working alone, others suggest brainstorming, a technique where participants write down their individual ideas first and only then share them with the group (McCaffrey, 2014). King and Lakhani (2013) argue that opening the idea selection process creates value because “outsiders have distinctive expertise and perspectives, which enable them to pick winning ideas” (King & Lakhani, 2013: 42).

#### **4.2.2.2. Induce Filters**

The second part of the Induce phase consists on filters collection. Preferably, the ones involved in the generation of solutions should not be the ones involved in the generation of filters, as humans’ mind involuntarily filters a lot of information when generating ideas and vice versa (Lages, 2016). Performing both tasks separately promotes even further breakthrough creativity, which allows the creation and capture of value (Schrage & Kelley, 2001). Filters are important since organizations’ capacity to translate ideas into usable and applicable solutions is highly limited by their own internal structure and external market influences (Adams et al., 2006). According to Hansen and Birkinshaw (2007), ideas’ selection is conditioned by their alignment with the company’s needs, potential to generate profits and integration within the different channels in the innovation value chain (Hansen & Birkinshaw, 2007). Hence, filters comprise “the reasons (e.g., problems, challenges, threats, opportunities, strategies) why a solution might or might not be suitable for future implementation” (Lages, 2016: 6). Typical categories for filters include: Product/Service/Technology/Person, Market/Competition, Team/Company and Environment (Lages, 2016).

### **4.3. Value Creation Wheel Challenging Paradoxes and Trade-offs**

#### **4.3.1. Exploring Paradoxes and Trade-Offs**

Paradoxes can be defined as ideas involving two opposing thoughts or propositions that are equally required to achieve a desired result (Slaatte, 1968). Paradoxes are often contemplated as vital for the success of companies, and “excellent companies have learned how to manage paradox” (Peters & Waterman, 1982: 100). This gains even more relevance in a business world, where changes in technology, global competition and workforce diversity are intensifying the presence of paradoxes (Lewis, 2000). Accordingly, managers need to embrace the tensions and anxieties caused by paradoxes to generate creative insight and change (Eisenhardt & Westcott, 1988). In order to achieve effectiveness, “an organization must possess attributes that are simultaneously contradictory, even mutually exclusive” (Cameron, 1986: 545).

#### **4.3.2. Value Creation Wheel as a Tool to Overcome Paradoxes and Trade-Offs**

The complexity of today’s organizations requires models that are not based only on linear and rational problem solving (Lewis, 2000). In this sense, the VCW appears as a breakthrough tool that allows companies to overcome common paradoxes and trade-offs. According to Lages (2016), “the VCW builds on the idea that in addition to the control system, experts require both ‘boxes’ and ‘no boxes’, both ‘flexibility and structure’, both ‘converging and spreading’, and both ‘trade-off and paradoxes’ to manage uncertainty” (Lages, 2016: 3).

In fact, authors have shown that people tend to prefer to avoid trade-offs, particularly those which are most difficult (Luce et al., 1999), potentially hurting the efficacy of the decision-making process. Furthermore, deciding between a trade-off highly depends on factors such as how information is displayed and the complexity of the problem (Payne et al., 1993) which, once again, may harm the effectiveness of the final decision. Using the example of the manufacturing trade-offs (Skinner, 1969), the idea was that focusing on a narrow set of

competitive objectives would give higher levels of performance than those possible with a broader set of objectives (Silveira & Slack, 2001). However, Schonberger (1986) showed that trade-offs were a “myth” suggesting that “world class manufacturing” firms were outperforming others in many areas simultaneously. Collins and Schmenner (1993) implied that it would be better to seek “complements” between competitive objectives, instead of just focusing on a few. The VCW, similarly to these authors, challenges the concept of trade-off by integrating opposite ideas. The “tech-push and market-pull paradox”, for instance, is not a problem in VCW, since both perspectives are considered without a bias towards one or the other. Instead of looking at these two mindsets as trade-offs, the VCW includes them both, taking advantage of the technological and the market views (Lages, 2016). Market-pull and tech-push exercises can be related with two important parts of open innovation: outside-in and inside-out. According to Chesbrough et al. (2014), the outside-in “involves opening up a company’s innovation processes to many kinds of external inputs and contributions”, while the inside-out “requires organizations to allow unused and underutilized ideas to go outside the organization for others to use in their businesses” (Chesbrough et al., 2014: 19).

Another paradox that firms face nowadays is related with value innovation, viewed by academics as the new way companies must look into the market: “Value innovation focus on making competition irrelevant by creating a leap in value for buyers” (Kim & Mauborgne, 2005: 2). It is this kind of innovation that allows companies to move from competing in a red ocean to creating their own market space: a space with no competition and where the demand becomes uncontested; the also called blue ocean spaces (Kim & Mauborgne, 2005). VCW can be used as a tool that challenges companies to overcome the value-cost trade-off as it can be used to discover blue ocean spaces.

Other paradox is linked to strategic innovation since, for many years, strategy and innovation were separated in two large schools of thought. Strategy was strictly related to strategic

planning while innovation suggested new product development. VCW challenges this conventional approach as it combines both strategy and innovation, which allows firms to redefine their business models in order to create value for customers and all the company's stakeholders (Doz & Hamel, 1998).

Furthermore, the VCW allows to incorporate already existing control systems, working as a complementary method. Thus, it can be considered as a tool that embraces cooperation in order to reach better solutions for all kinds of challenges (Lages, 2016). VCW's author emphasizes its contribution to create value, "acting as the perfect bridge between the "why" (i.e., value of the problem, opportunity, challenge, market need, and market pain) and the "what" (i.e., value of the idea, solution, technology, patent, science, service, or even a person)" (Lages, 2016: 6).

#### **4.4. Value Creation Wheel Compared with Other Methodologies**

Frameworks provide a more systematic way of approaching certain key choices, which may have tremendous impact on organizations and individuals (Iyengar & Lepper, 2000; Lewis, 2000). The Ansoff Matrix (Ansoff, 1957), the BCG Matrix, the GE/McKinsey Matrix and the Cooper Stage-Gate Model (Cooper, 1990) are examples of widely used models by organizations. However, these frameworks simplify radically the complexity of the real business world. The Ansoff Matrix, for instance, emphasizes a strategy towards growth. Yet, in some cases, that may not be an appropriate focus for a company at a certain time (Richardson & Evans, 2007). The Stage-Gate Model fails to incorporate guidelines for the inclusion of open innovation activities in the model (Grönlund et al., 2010). Design Thinking is a more contemporaneous approach for value creation that relates people's interactions with systems and technology. It combines "strategic objectives and technical business requirements with emotions and conceptual thinking" and aims to make "interactions simple, intuitive, and empathetic" (Meyer, 2015: 42). As such, Design Thinking is a process that promotes innovation

and organizational change, being applied in firms as a future-oriented innovation method (Brenner & Uebernickel, 2016). However, Design Thinking still, to this day, does not have a clear description and can be interpreted in different ways (Kimbell, 2011), making it more difficult to apply in real business cases.

In general, the problem is that the business environment today is completely different to what existed in the 1970s, when some of these methods were implemented, thus making these models less relevant (Burns, 2014). The drawbacks of these models are particularly evident in situations of great uncertainty or drastic changes. The characteristics of today's markets require constant adaptation, experimentation and balance between strategic focus and flexibility (Bingham et al., 2014). Additionally, as companies move into execution, these frameworks leave them with incomplete and fragmented information regarding how to translate the theory into practice (Richardson, 2008). In that sense, and as previously mentioned above, one of the greatest strengths of the VCW is the ability to solve a wide range of paradoxes, contrarily to other frameworks which tend to focus on trade-offs in detriment of a great number of potential solutions.

Furthermore, VCW is a circular model, whose process can be started in any of its different stages and allows for repetition in accordance to companies' corresponding needs (Lages, 2016). Besides, it is a dynamic and recursive framework characterized by constant feedback and continuous loops, in opposition to linear models (Adams et al., 2006). This is another advantage of VCW, in line with the thought that "value creation processes tend to be continuous, whereas value outcomes tend to be tied to a specific point in time" (Gummerus, 2013: 21). Real-time reviews and evaluations of inputs, might result in virtuous feedback loops, allowing the improvement of all the process and enhancing the benefits of the final outcome (Schenkel et al., 2015).

#### **4.5. Value Creation Wheel as a Multipurpose Tool**

VCW's impact has been extensively recognized not only in companies, ranging from start-ups to Fortune 500, but also in the Academy, being used as tool for value creation in multiple industries and academic courses. It can be used by executives, engineers, scientists or entrepreneurs to solve their questions and problems in a wide range of areas. The VCW methodology is spread worldwide, with projects developed in a variety of countries such as Belgium, China, Finland, Germany, South Korea, UK or USA (Lages, 2016).

Currently, VCW is involved in multiple organizational challenges, from bringing new ideas to the domestic and international markets to stimulating an environment of innovation within a company, or even finding new ways to rationalize time and financial resources. At Imprensa Nacional - Casa da Moeda (INCM), one of the latest VCW's projects, the methodology was highly acclaimed. In the words of Luís Matos, Director of INCM, "the VCW allowed to design an innovative management process that nowadays is part of our culture".

Also, in a recently held conference about VCW in the Healthcare sector, Pedro Pita Barros, Dean of Nova Saúde, claimed that "VCW does not substitute innovation, but it filters innovation". In the same conference, Daniel Traça, Dean of Nova SBE, added that "VCW connects academies, companies and society, promoting entrepreneurship". Likewise, VCW promotes intrapreneurship, as it encourages organizations to discuss and to explore their resources and capabilities (Maier & Pop Zenovia, 2011).

#### **5. TIAGO Framework Applied to Real Challenges**

In the second part of this thesis, three case studies are introduced that allow the comprehension of TIAGO's methodology application at Jerónimo Martins Distribuição de Produtos de Consumo (JMD) and Whymob. The first, and quoting Paula Hortinha, JMD's Managing Director, considered VCW "as a tool that incentivized discussion and involved company's

workers in the projects”. Marta Lopes, JMD’s New Brand Manager, regarded VCW as “a completely new and disruptive approach but very logical, methodical and organized”. Furthermore, VCW’s flexibility and constant loops were perceived as an undoubtedly great benefit to improve results. The second, Whymob’s CEO, Paulo Pires, positively evaluated the project, claiming that “ideas’ collection from outside was very enriching”. Henrique Ahnfelt, CSO of Whymob, added that “VCW allowed us to have a clearer view regarding the entities who could care about our product”.

The three problems analyzed in each of the case studies illustrate VCW’s capability to solve problems in different maturity stages.

- At JMD the questions addressed were the following:

*(1) “Which is the best strategy to add a category of selective cosmetic into JMD distribution’s portfolio?”*, developed by Ana Filipa Malheiro. This represents a business case, where operationalization actions are still abstract, since JMD does not currently operate in the selective cosmetic market;

*(2) “Which is the best strategy to grow in HoReCa (Hotels, Restaurants and Cafes) channel?”*, studied by Ana Catarina Mendonça. This challenge is closer to go-to-market as it is related with strategic planning for HoReCa channel, where JMD currently operates.

- At Whymob the question examined was:

*(3) “Who cares about the Transplantation Solution abroad?”*, answered by Miguel Paulino. This research question has the highest technology readiness level, as the company did already developed the product/service as well as its business model in Portugal. The next step for Whymob is internationalization.

In the three case studies, the term VCW team is used to express the work done by the correspondent student under the supervision of the Professor Advisor, Luís Filipe Lages.

## **Case Study 1: “Jerónimo Martins Distribuição de Produtos de Consumo: Expand Company’s Operations into a New Business Market using the Value Creation Wheel”**

### **Abstract**

Paula Hortinha, the Managing Director of Jerónimo Martins Distribuição de Produtos de Consumo (JMD), was considering the possibility to expand company’s operations into new business areas. Selective cosmetic was on top of her list and to help her defining the best strategy in this market, she decided to use the Value Creation Wheel (VCW). The VCW team applied the methodology and presented the final solutions to the Board of Directors. The case ends with the deliberation of the Board about the use of VCW in the next steps of company’s business case.

**Keywords:** Innovation Management; Selective Cosmetic Market; Strategy; Value Creation Wheel.

## **Case Study 1: “Jerónimo Martins Distribuição de Produtos de Consumo: Expand Company’s Operations into a New Business Market using the Value Creation Wheel”**

In December 2015, Paula Hortinha, the Managing Director of Jerónimo Martins Distribuição de Produtos de Consumo (JMD), a distribution company that is part of the representation services of the Jerónimo Martins Group, was sitting in her office reviewing the company’s annual performance and analyzing new growth strategies for the next year. For some time, Hortinha was assessing the possibility to expand the company’s operations into new business areas. Among different possibilities regarding markets to explore, Hortinha decided to opt for the selective cosmetic market. The challenge she had in hands was to choose the right strategy to add a category of selective cosmetic into the company’s portfolio. As a true innovation devotee, Hortinha was willing to try a new methodology, the Value Creation Wheel (see **Exhibit 1**). In order to do that, she contacted the VCW team to help her find the best solution to solve this challenge.

### **Company Overview**

Established in 1792, Jerónimo Martins is a Portugal-based international Group engaged in food retail and distribution sectors. The Group’s activities are divided into 4 business segments: Food Distribution, Manufacturing, Marketing, Representations and Restaurant Services and Agro-Business. Jerónimo Martins Distribuição was established in 1985 and is part of the Representation Services segment, which dedicates its business to the representation and distribution of national and international brands in Portugal, on an exclusive basis. On its activity, JMD covers three different segments: Modern Trade, which includes wholesalers and food retailers, Food Service and Impulse. JMD holds a solid and diversified brand portfolio, as it is responsible for more than 30 brands in different food categories, where some of them are

top leading in the Portuguese market. JMD's Unique Selling Proposition focus on long-term relationships, market coverage, brand management and trade relevance.

### **Initial meeting: VCW and JMD's Business Case Presentation**

In January 2016, Hortinha scheduled her first meeting with the VCW team and Marta Lopes, the New Business Manager of JMD. After a deep presentation about the model and its different process stages, the team was curious to hear about the company's future challenges and goals. Hortinha and Lopes shared some growth challenges they were facing inside the company's current channels and expressed their desire to pursue new business opportunities. They enlightened a business case being developed internally focus on the selective cosmetic market. The main purpose of this business case was to expand JMD's operations into new business markets. As such, it was focused on market analysis namely regarding selective cosmetic categories and trends.

So far, JMD strategies were mainly based on the Ansoff Matrix, a tool that describes four growth strategies – Market Penetration, Market Development, Product Development and Diversification – which depends on the type of market and product the company pretends to achieve. As this expansion would involve an enormous change in the company's business model, JMD decided to rely on VCW, as Hortinha considered it a disruptive methodology that would break the paths adopted so far.

What most excited Hortinha and Lopes was the fact that the model involved multiple stakeholders in the process of idea generation. Besides, they were very surprised by the fact that the model broke some of the trade-offs companies impose as barriers at the very beginning. At the end of the meeting, the research question to be addressed by the VCW team was not clearly defined. However, it was established that the research question would probably be related with the previously mentioned business case. For the next two weeks, Hortinha and

Lopes were in charge of exploring the position and context of JMD towards the problem and then present the final research question to the VCW team.

### **VCW Phase 1 - Discover Value (Tap): Understanding the company, the market space and the challenge**

The VCW team received the final proposal. The question to address was “Which is the best strategy to add a category of selective cosmetic into JMD’s brand portfolio?”. In the first phase of the model, the team had the task to define the market to which the problem is subject to. Besides, it also explored the market opportunities and trends to gain practical insights and knowledge about the industry.

#### **Market Definition & JMD Position**

The global cosmetic industry is divided into two distinct market segments: mass market and selective market. The selective cosmetic market can be defined as the marketplace where cosmetic products (see **Appendix 5**) are sold in specialist retailers and department stores, pharmacies, and duty-free spaces. After a short meeting with Marta Lopes, it was settled that this should be the market definition to be used in the study. However, Lopes suggested to exclude pharmacies from the analysis and to focus the research on the Portuguese market in five main cosmetic categories: make-up, skin care, fragrances, hair care and personal hygiene. The VCW team had the opportunity to explore the operations JMD performed in the selective cosmetic market. For many years, JMD’s business was divided into two parts: food area and cosmetics. The cosmetic department was responsible for the distribution and representation of brands in the selective cosmetic market, whose main distribution operations were independent from food distribution area.

The VCW team conducted an interview with Filipa Mateus, the Assistant of Sales and Marketing in the past cosmetic division. She started by explaining that JMD was responsible for the implementation, distribution and management of Calvin Klein (CK) brand in Portugal. Despite having other brands under JMD's cosmetic portfolio, CK was, by far, the largest business inside the department. The team was curious to know why JMD was no longer present in the cosmetic market. Mateus explained that in 2006 CK brand was bought by Coty, a multinational group. As Coty already had its own structure in Portugal in the selective cosmetic market, JMD was obliged to transfer CK's distribution rights. This event had a considerable impact in the cosmetic department. As such, the division was forced to design a new business model and to define new strategies for the department as they were totally dependent on CK sales. In the following years, the department's main objective was to consolidate its position with the current brands – through the extension of their distribution – and add new brands to the cosmetic's portfolio. Despite the company's efforts in restructuring the cosmetic division, its operations were ended in 2013, as the division was not able to respond to the market's imposed challenges.

### **Market Opportunities and Trends**

The team also explored global market opportunities and future trends. According to Allied Market Research report, sales in the global cosmetic industry are expected to grow 3.7% compounded annual growth rate (CAGR) over the next 4 years and, in 2020, the overall industry is projected to reach the value of 390.0 billion dollars. Regarding the different segments of the cosmetic industry, the one with the highest growth prospects is the beauty product segment due to the increased demand for a youth image and beauty standards. The more educated, healthy and environmental consciousness consumer is the main responsible for the rising of new market niches in this industry. Organic, natural skin and sun-care products are new segments that are

conquering market share. These segments are expected to grow at a CAGR of 5.6% between 2015 and 2020. In 2014, 80% of the total cosmetic sales were controlled by the female segment. However, the market is facing the increase of male cosmetic products, projected to increase until 2020. Distribution channels have also suffered some changes over the years. Online business is increasing so fast that in 2014 represented 60% of United States total sales in the cosmetic industry and it is expected to increase globally at a 5.3% CAGR during the period 2015-2020.

### **Portugal Market Profile & Main Players**

As Lopes suggested, the team decided to assess the Portuguese cosmetic market and explore its different categories. MarketLine data suggests that by the end of 2016 the Portuguese cosmetic market reaches the value of 989.9 million euros. Within this market, the segments with the highest market value would be skin-care, hair care and fragrances with a share of 26%, 25% and 23%, respectively. In 2013, skin-care and fragrances were the two categories with the highest penetration in the selective cosmetic market. Skin-care had 49% of its total sales in this type of channel, while fragrances recorded 46%. Personal hygiene was the segment that registered the lowest penetration in this market, as more than 65% of the products in this industry were sold in the mass market. For the period 2014-2018, the Cosmetic Portuguese market value is expected to increase in all segments. During this period, fragrances and skin-care industries are the segments that expect the highest growth rates.

There are two main players in the Portuguese selective market. L'Oréal counting with a share of 25% in the make-up market and 37% in the skin-care market and Estee Lauder Companies with a market share of around 10% in the same segments.

After conducting this analysis, the VCW team was able to gain practical insights about the Portuguese market, future trends and JMD's historical performance in the segment.

### **VCW Phase 2 - Create Value (Induce): Collecting Solutions and Filters**

The second phase of the VCW was divided into two different stages. The first stage was idea generation; whose objective is the collection of possible solutions to address the problem in hands. In the second stage, the team was responsible for the collection of potential filters, which represent the criteria to apply in the selection of ideas. It is important to highlight that, at these stages, all ideas and filters were considered valid.

The VCW team decided to adopt different approaches regarding idea generation. These approaches included: brainstorming and focus group sessions, workshops, online questionnaires and interviews; all involving multiple stakeholders.

The team was responsible for the organization of two brainstorming sessions in JMD, with a total of 10 participants. Outside the company, the team performed similar sessions and a workshop, involving 13 students from the New Product Development course of the Master Degree in Management at Nova School of Business and Economics (Nova SBE), 15 students from MIT Portugal and 20 members of Nova SBE's Clubs: Nova Junior Enterprise, Nova Consumer Goods and Nova Marketing Club. Online surveys were also conducted (see **Appendix 6** and **7**). From the 189 responses, the team could evaluate some drivers towards the consumption of cosmetic products; generating more ideas from those findings. Moreover, the VCW team realized interviews with the start-up Uduni, two Academic Professors from Nova SBE and some industry related stakeholders: L'Oréal, Oriflame, Torrestir, Unilever, Wells and Yves Rocher. With such interviews, it was possible to collect relevant information, which was used to generate more ideas. This was done, through market-pull exercises (see **Appendix 8**),

by taking an outside-in view, which allowed to explore needs/requirements that came from the cosmetic market. From all these exercises, a total of 48 ideas were generated.

Regarding filter generation, the team followed similar approaches. For some of the brainstorming sessions, the VCW team asked the participants to report some constraints they find relevant to exclude or select the most appropriate solutions. Besides, based on the previous interviews, the team was able to generate more filters to apply to the collected solutions. These processes allowed the collection of 58 filters that were grouped in 4 categories with distinct characteristics: Product/Service/Technology/Person, Market/Competition, Team/Company and Environment.

During the processes of idea and filter generation, participants played the Poker Method (Lages, 2015) that allowed refining the input by validating, reviewing, multiplying or eliminating the ideas and filters collected.

### **VCW Phase 3 - Validate Value (Analyze): Feedback from JMD's Board of Directors**

A meeting with the Board of Directors (see **Exhibit 2**) was organized in early April. With this meeting, the team was expected to receive feedback about the input generated in order to validate the ideas and filters with the highest potential. To successfully complete this stage, the members of the VCW team concluded that they should also involve the Board into the process of idea and filter generation. Accordingly, they decided to organize a brainstorming session with the audience. Questioned by the VCW team, the audience started by assigning the filters they considered as 'qualifiers', which correspond to filters that the company has to ensure right in the beginning in order to the project move forward. The team presented the filters collected and the Board had the opportunity to discuss them collectively in order to assess the initial potential in the structure of the Value Creation Funnel (VCF). The team took a similar approach for the ideas' presentation. The Board started by sharing their individual ideas. The VCW team

presented the collected ideas and after, the Board stated the ones they considered to have the highest initial potential. The Poker Method was a fundamental tool at this stage as the board is the one with the power to determine the path of the ideas and filters. As so, in the last part of the meeting, the audience looked into all ideas and filters discussed and applied the method accordingly. The Board was very surprised with the list of ideas and filters, as the company was not able to generate this kind of input in previous brainstorming sessions, where JMD used the Design Thinking approach.

The team was in charge of adding the new ideas and filters generated in the brainstorming session to the ones that were validated by the audience, and eliminating the ones the board directly discarded. Once this work was completed, the team was ready to send the final document with a total of 52 ideas and 62 filters for validation (see **Appendix 9** and **10**).

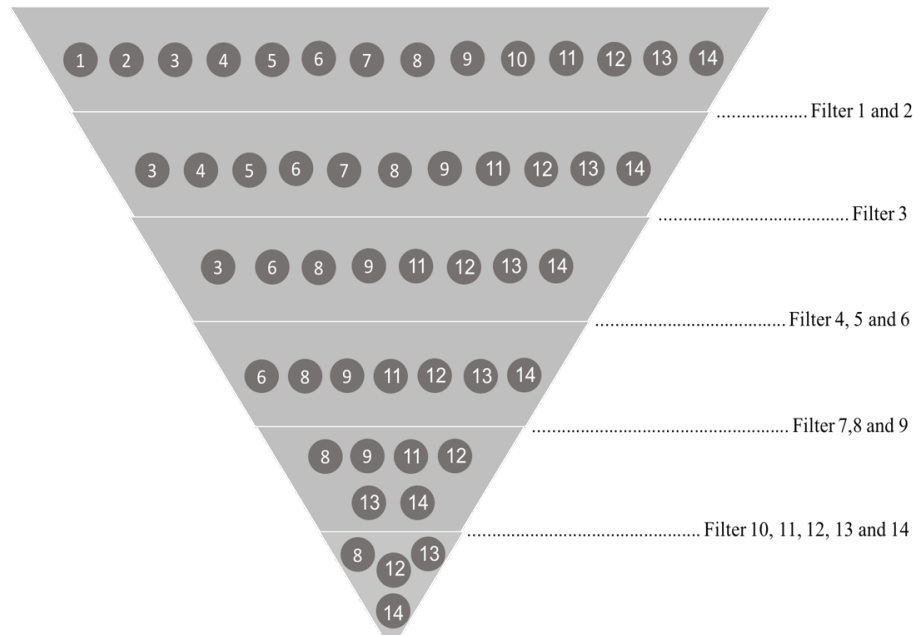
The document had a set of instructions for each key decision player to follow. The work was simple. They should start by classifying each idea and filter in a 'High-Medium-Low' scale, where High stands for 'Idea/Filter with High Potential'. In quantitative filters, key players should indicate a numerical range they consider relevant for the application of the filter in question. After classifying all the filters, key players should specify the ones they consider as 'qualifiers'. Subsequently, they had to focus on the ones with High and Medium classification and rank them from the most to the least important.

Once the team received the validated results, it was time to analyze the final potential of each idea and filter. The final potential was determined by calculating the weighted average of each key player's classification, as key players could have different decision weights in the final outcome. Hortinha determined that herself and 6 other members of the Board would represent 94.5% of the decision power, counting 13.5% each, while Lopes would have the remaining 5.5%. This process resulted in a total of 14 solutions and 21 filters, where 7 were qualifiers.

## VCW Phase 4 - Capture Value (Ground): Identifying the Final Solution

In this fourth stage, the team built the Value Creation Funnel (VCF) (see **Figure 1**) based on the final results of the previous stage (see **Appendix 11** and **12**). In the VCF, filters were applied to the ideas by order of importance. Some filters were grouped since the Board ranked them equally. From this process resulted 4 final solutions.

**Figure 1 – Value Creation Funnel (VCF) and Table of Ideas and Filters**



### List of Ideas with the Highest Potential

1. Invest in baby cosmetic sector – linked to the natural cosmetic market: Noodle&Boo, Sophie La Girafe
2. Invest in in-store promotion and outdoor marketing
3. Select a brand that is not present in Portugal, with attractive growth and that is considering expand their operations internationally – propose JMD has their distributor in Portugal.
4. Be present in fashion social events: opportunity for networking and contacts
5. Invest in Digital Marketing Strategies: strong presence in social media and online platforms
6. Invest in Korean and Japanese brands: sector with high growth that is expanding their operations across Europe. JMD can take advantage from their innovative technology, low price products within the premium category and perception of high quality products
7. Invest in more than one category in products under the same brand: portfolio and risk diversification
8. Analyze the market to predict innovation tendencies across countries and new consumer trends: UK, USA, Nordic and Asian countries using tools as YouTube, Instagram and Pinterest
9. Select a brand with high investment capacity that offers the possibility to extend its offerings outside store: spas, beauty centers.
10. Select a brand present in Portugal that is experiencing high growth rates and want to expand its market coverage: propose JMD as their outsource distributor
11. Check the current partnerships inside JM group to see if they are present/want to expand their operations into the cosmetic segment: suggest JMD has their distributor
12. Take advantage from the current channels the company already has.
  - Food Service sector: HoReCa channel – distribution to Hotels and Spas
  - Impulse channel: distribution to airport's specialists department stores
13. Create an independent distribution network specific for this area
14. Benchmark: marketing strategies, product diversification strategies, distribution strategies

### Filters

- Filter 1:** Brand's category size, growth rate and profitability
- Filter 2:** Investment Capacity: specialized Team, marketing & promotion and distribution channel
- Filter 3:** Lack of a specialized team
- Filter 4:** Set of competences of the team that is dealing with the cosmetic market: know-how about the cosmetic market and its dynamic, about the product.
- Filter 5:** Market Forecast in terms of growth, volume of transactions and profitability
- Filter 6:** % of coverage of specialist retailers and specialized department stores in the market – can influence the choice of the category. For example, the deodorant segment has a heavy penetration in the mass market so it may not make sense to invest in a category with such a low penetration in the selective segment.
- Filter 7:** Expected revenues
- Filter 8:** Resistance of specialist retailers to introduce non-European brands
- Filter 9:** Keep up with customer's trends
- Filter 10:** Investment in relationship with new retailers to create a solid distribution network
- Filter 11:** JMD Current Join Ventures (Puig) – Could limit the scope of categories to select
- Filter 12:** Lack of the experience in the cosmetic segment from the retailer's point of view – the specialist retailer may prefer a distributor with know-how and high level of expertise in the channel
- Filter 13:** JMD expected growth for the cosmetic segment
- Filter 14:** Distributors' scale

Source: Developed by the VCW team

## **VCW Phase 5 - Consolidate Value (Operate): Ideas' Presentation and Discussion**

It was time to present the final solutions to the Board of Directors. For this meeting, Hortinha invited some external collaborators, which demonstrated JMD's continuous willingness to involve external stakeholders in the process. In the scheduled meeting, the VCW team started by presenting a brief description of the past 4 stages. Then, the 4 final solutions were revealed. As the methodology suggests in this stage, the Board should decide for a No-Go/Go/Check basis about the solutions presented.

**Figure 2 - Panel of Final Solutions**

<b>Panel of Final Solutions</b>
<b>1.</b> Analyze the market to predict innovation tendencies across countries and new consumer trends: UK, USA, Nordic and Asian countries using tools as YouTube, Instagram and Pinterest
<b>2.</b> Take advantage from the current channels the company already has. <ul style="list-style-type: none"><li>▪ Food Service segment: HoReCa channel – distribution to Hotels and Spas</li><li>▪ Impulse segment: distribution to airport's specialists department stores</li></ul>
<b>3.</b> Benchmarking of marketing, product diversification and distribution strategies
<b>4.</b> Create an independent distribution network specific for this area

Source: Developed by the VCW team

The Board was surprised with the fact that none of the solutions suggested a specific category, but acknowledged the value of the input gave by the solutions obtained. However, all members recognized that the problem they addressed was not very specific as the company did not have any operation in the selective cosmetic market. The Board immediately validated the first two solutions in the panel. As Hortinha said “The VCW team presented two solutions that can have an enormous impact in the business case that we are currently developing, and to which our team did not pay attention”. Regarding the solutions, she added “By studying these suggested countries (UK, USA, Nordic and Asian countries) using these social tools (Youtube, Instagram and Pinterest), our team can gain practical insights about new consumers' trends or even new distribution channels that are not explored in Portugal. Additionally, taking advantage of the

company's current distribution channels (Hotels and Airports) could be very helpful for us in the short-term and it is an option that we never thought about" (see **Exhibit 3**).

Once these two solutions were successfully validated, the Board started discussing the remaining solutions. Regarding the idea "Benchmarking of marketing, product diversification and distribution strategies", the Board was divided. While some members suggested that this idea could complement the analysis of the international markets, others were more reserved. They argued that the business case the company was developing around this market was in its initial stage and, as so, the company could not clearly identify which kind of metrics and practices they should target. Unanimously, the Board decided that this solution should be revised in order to integrate the business case at a later stage.

Regarding the creation of an independent distribution network for this channel, the Board decided not to validate this solution. As Hortinha justified "This solution is not in our short-term agenda. It will depend on the position we will have in the selective cosmetic market".

The VCW team explained that the Value Creation Radar (VCR) was completed, where the company had its first contact with the value that the problem under study could bring to the company. Besides, the team also presented two very important recommendations. At this initial stage, it might be worth to include more internal and external stakeholders, which have some practical knowledge of the market, into the idea and filter generation. Likewise, in order to find relevant categories in the selective cosmetic market, JMD could launch national and international contests to assess market gaps and design its strategy accordingly. Besides, as the company will have to deeper its research in many fronts to proper define a strategy in the selective market, the team recommended conducting various VCW cycles, by exploring the 15Is of innovation. Further VCW cycles could help the company breaking down the question and move from an abstract concept to a concrete solution. The project completed by the VCW team answered completely to the initial research question, but as this is a market to which JMD

is still planning to enter, it is crucial to progress step by step and narrow down questions as time goes by. The Board revealed its interest to apply further VCW cycles in order to narrow down the problem in hands.

Concluding the meeting, the Board agreed that VCW was a useful tool to conduct an initial analysis and to explore new paths in the selective cosmetic market. Quoting Pedro Castro, the Sales Director of JMD, “VCW turned out to be a much more rational tool when compared with previous methods used at JMD”. The Board also highlighted that some of the ideas collected in the previous stages would be incorporated in the business case as it evolves. Likewise, the Board considered that VCW turned out the decision-making process shorter and more efficient, even for an abstract project.

### **How should JMD progress with the input given by the VCW team?**

The Board had to decide how to incorporate the recommended solutions in the business case being developed. Moreover, it was time to start thinking about new research questions in order to turn the idea to enter the selective cosmetic market in a more tangible thought. Should JMD rely on new VCW cycles in order to explore market needs and pains? Can VCW help JMD to find quality brands, growing outside? To progress with the project, the Board should clear what information is need next and how the best pathway to get there.

## Teaching Note

### Case Synopsis

This case study illustrates the application of the Value Creation Wheel (VCW) to a challenge of Jerónimo Martins Distribuição de Produtos de Consumo (JMD): how to define a strategy in the cosmetic selective market, an area outside of the company's expertise. The case study starts by introducing JMD's current operational activities. Then, the 5 stages of the VCW are introduced. The first stage is **Tap**, whose objective is to gain insights, evaluate trends and opportunities about the market the problem is subject to. In the second phase, **Induce**, the team is responsible for the idea and filter collection using multiple approaches. A meeting with the key decision makers was organized in the third stage, **Analyze**, whose objective was to identify the ideas with the highest potential and rank the filters that would be used in the Value Creation Funnel (VCF). In the fourth stage, **Ground**, the team built the VCF and reached to 4 final solutions. In the last stage, **Operate**, the team presented the final solutions to the Board. The case concludes with the discussion of VCW team's suggestions for the next operational steps in JMD's business case.

### Learning Objectives

This case study promotes the discussion in Business Strategy, Innovation Management, International Marketing, New Product Development and Value Creation courses at the Masters, MBA and Executive levels. The learning objectives will depend on the course the case is addressed to, including the following:

- To acknowledge the practical application of the different stages of the Value Creation Wheel;
- To understand how companies access the possibility to enter into a new business market;
- To comprehend how to assess ideas and filters' potential and determine the ones that solve the challenge proposed;

- To understand the importance of the involvement of external stakeholders.

### **Recommended Readings**

- Lages, L. F. (2016). VCW—Value Creation Wheel: Innovation, technology, business, and society. *Journal of Business Research*. DOI: 10.1016/j.jbusres.2016.04.042.

### **Discussion Questions**

1. Which are the main differences between the VCW and Design Thinking Processes?
2. How do you think that proposed solutions can allow JMD to innovate?
3. How do you think JMD could address the next steps of the business case?

### **Discussion Notes**

#### **1. Which are the main differences between VCW and Design Thinking Processes?**

This question requires an analysis of Design Thinking and VCW's processes in order to understand how both methodologies address challenges, gather ideas and implement solutions. After this analysis, it is possible to identify some important differences between the two methods:

#### **• Idea Generation**

VCW divides the second phase, Induce, in two different sub-phases. The first is concerned with ideas collection and the second with filters collection. Filters are the criteria to be applied in the selection of ideas, where any idea suggested is considered valid. Design Thinking constitutes an additive process, meaning that the ideas are listed using only the word “and”, while the VCW model is considered a multiplicative process as it allows the use of “and/or/but”, both on idea and filter generation. Moreover, Design Thinking usually groups ideas in big categories after their collection, while VCW remains unbiased, as it progresses with uncategorized ideas to the

next phases. Nonetheless, VCW is able to better eliminate barriers as it requires a second phase only concerned with difficulties and barriers to be considered in ideas' implementation. In contrast, Design Thinking many times ends up avoiding creativity as participants do not divide the two processes, and unconsciously filter up-front many of the ideas suggested.

- From Selection Process of Solutions to Operationalization

In Design Thinking process, similar ideas are grouped in different clusters with no specific order. The selection process to find the final solution is done by eliminating the ideas of each different cluster that are not valued by the organization. In contrast, the VCW comprises an unbiased selection process. Both ideas and filters are ranked independently by key decision makers, which determine the potential of each idea and filter. The ideas and filters with the highest potential are the ones that constitute the Value Creation Funnel (VCF). Although both methods suggest the development of a prototype under the solution's concept, the VCW emphasizes operationalization. As the VCF filters each idea according to the criteria selected by the Board, it is more visible which solution the company should focus on. Besides, the VCW model suggests the application of different VCW cycles during the operationalization process to help to define and detail some ideas that may arise.

## **2. How do you think that proposed solutions can allow JMD to innovate?**

This question opens the discussion about the role of innovation in business. Organizations are aware that innovation plays an integral role in their long-run sustainability. The dominant source of innovation is incremental innovation, which implies exploitation or a small change in company's current resources. As it is performed under the existing business model, it is considered a low-risk movement, whose objective is to improve the overall performance of the company. This type of innovation does not challenge the systemic status quo and therefore,

competitors usually respond quickly to this kind of innovation. In the case study, the VCW model answered to an incremental question, as the research question suggested: “add a new category of selective cosmetic”. Therefore, the panel of solutions presented some incremental answers. For instance, the idea of benchmarking marketing, distribution and product diversification strategies could bring a short-term strategic advantage to the company as it helps to create efficiencies and incremental operating improvements. However, the benchmarking practice is not sustainable. It suggests the application of practices and ideas that are already being used by the competitors. By following this type of practice the company becomes ‘the follower’ instead of ‘the leader’.

In contrast, breakthrough innovation creates disruptive solutions that are capable of transforming existing markets or creating new ones. Although it involves high uncertainty, breakthrough innovations are one of the main sources of competitive advantage, once they challenge business models and define new ways of doing business. Therefore, in the long-run, organizations that pay more attention to breakthrough advances set the stage for higher growth rates and leading positions in the market. Incorporating breakthrough innovations, companies can achieve sustainable competitive advantage by differentiating their product/service in the market.

In the case of JMD, and following the proposed solutions, it can use benchmarking in order to determine market gaps and new opportunities to explore. Nonetheless, benchmarking should be used as a supportive tool, since it does not allow to enjoy competitive advantage. However, throughout VCW’s process a massive number of ideas was created. As such, in future actions JMD can rely on these ideas to define its strategic actions, namely marketing, distribution and communication strategies.

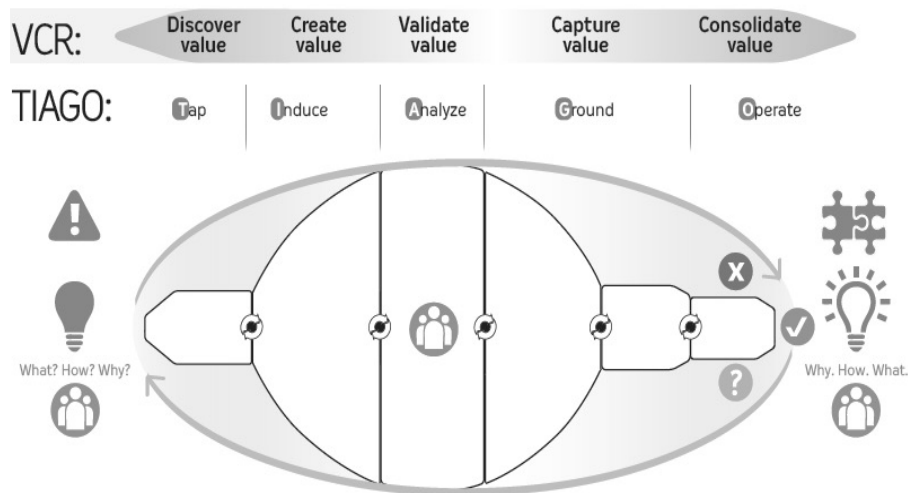
### **3. How do you think JMD could address the next steps of the business case?**

This answer will be based on the VCW team's recommendations. In order to successfully complete the next steps of the business case, the Board can decide to apply different VCW cycles, where different research questions will be addressed. Although this is a subjective question, answers should reflect the need of JMD to narrow its strategic approach. As an example, the following analysis will be divided into 4 main groups of strategies. For each one, are presented some examples of research questions that could be addressed.

- Entry Strategy: Which type of partnerships should JMD establish in this market? How can JMD take advantage from Jerónimo Martins Group's current joint-venture with Puig? How could JMD implement an independent distribution network?
- Marketing Strategy: How should JMD communicate its represented brands in the selective cosmetic market? How should JMD manage communications with specialist retailers? Which is the best strategy to approach selective cosmetic's retailers?
- Distribution Strategy: How can JMD ensure an efficient distribution network? Should distribution to this channel be made separately? How could JMD beneficiate from its current distribution partnerships?
- Human Resources Strategy: How should be the composition of JMD's focused team to this segment? Should JMD rely on internal or external knowledge? How to create an independent division?

## Exhibits

### Exhibit 1 – Value Creation Wheel (VCW)



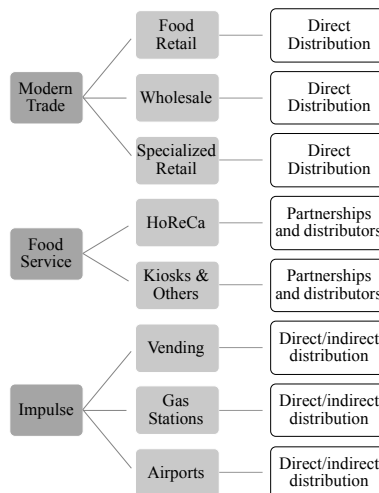
Source: Lages, L. F. (2016). VCW—Value Creation Wheel: Innovation, technology, business, and society. *Journal of Business Research*. DOI: 10.1016/j.jbusres.2016.04.042.

### Exhibit 2 – Board of Directors



Source: JMD Internal Presentation, 2016

### Exhibit 3 – JMD's Route-to-market



Source: JMD Internal Presentation, 2016

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## **Case Study 2: “Jerónimo Martins Distribuição de Produtos de Consumo: Growing in HoReCa Channel using the Value Creation Wheel”**

### **Abstract**

Paula Hortinha, Managing Director of Jerónimo Martins Distribuição de Produtos de Consumo (JMD), was concerned with the company’s growth challenges. In order to enhance JMD’s revenues streams, Hortinha decided to rely on the Value Creation Wheel (VCW) to help the company defining a growth strategy for HoReCa channel. After a 5-months project, the VCW team identified the ideas with the highest potential, which were presented to the Board of Directors. The case ends with the deliberation of the Board regarding proposed solution’s implementation, based on their perceived impact on the future success of the company.

**Keywords:** HoReCa Channel; Innovation Management; Strategic Planning; Value Creation Wheel.

## **Case Study 2: “Jerónimo Martins Distribuição de Produtos de Consumo: Growing in HoReCa Channel using the Value Creation Wheel”**

In early 2016, Paula Hortinha, the Managing Director of Jerónimo Martins Distribuição de Produtos de Consumo (JMD), was reviewing the company’s goals and challenges for the year. Some of the company’s current channels were seen as potential opportunities to grow. HoReCa channel was thought to be one of those cases. Despite the reorganization done in the channel in the previous year, JMD was convinced that a more focused analysis could be useful to define an adequate growth strategy for it. To help JMD solving this challenge, Hortinha revealed her interest to try a new methodology, the Value Creation Wheel (see **Exhibit 1**). Accordingly, JMD hired the VCW team to define a growth strategy for HoReCa channel.

### **Company Overview**

JMD is part of the Portuguese Group, Jerónimo Martins, which operates in four main areas: Food Distribution, Food Manufacturing, Services and Agro Business. JMD, comprised in Jerónimo Martins Groups’s Services area, was founded in 1985 and its core activity is the representation and distribution, on an exclusive basis, of national and international brands in Portugal in the fast-moving food market. JMD serves different segments, including Modern Trade, Food Service and Impulse. According to the segments, JMD’s route-to-market can be direct, indirect or through partnerships and distributors (see **Exhibit 2**). Besides, JMD also operates in the export market, trading with around 13 countries.

JMD has a crucial role in building and developing brands in Portugal, being responsible for their marketing, implementation and distribution strategies. JMD’s positioning is attained through the combination of brands’ reputation and the company’s expertise regarding marketing and sales, allowing a service of excellence throughout the value chain. The Unique

Selling Proposition of JMD is focused on long-term relationships, market coverage, brand management and trade relevance.

JMD's brand portfolio comprises more than 30 brands, spread in categories such as Grocery, Confectionery, Beverages, Milk and Soy Products (see **Exhibit 2**). In 2015, JMD's sales in the domestic market achieved the historical growth of 5,2%. The two categories that grew the most were Dairy Products and Snacks, which experienced a positive variation of 21% and 15%, respectively. All the other categories also grew with the exception of the cereals' category. The brands introduced in 2015, Barilla, Patak's and Amoy jointly represented 2,3% of total sales.

### **Initial meeting: Understanding the VCW and its potential to create value at JMD**

With the aim to continue growing in 2016, JMD's Managing Director decided to rely on VCW to develop a project focused on HoReCa channel. As such, by the mid of January 2016, Hortinha scheduled an initial meeting with the VCW team and the New Business Manager of JMD, Marta Lopes, to establish the agenda for a 5-months project to get innovation and strategic planning advice. First, the model was explained as well as each of its phases. Followed, the VCW team asked Hortinha and Lopes "What were JMD's plans to grow?" and "How could JMD achieve planned growth?". Hortinha and Lopes focused on different routes, which were mainly based in the Ansoff Matrix. Therefore, these included strategies for product development, market penetration, market development and diversification. In contrast, the VCW was introduced as a tool that breaks rigid barriers and eliminates trade-offs, which surprised Hortinha and Lopes. An important point mentioned in the meeting was related to JMD's experience in past projects, where they concluded that ideas' effectiveness usually was higher when generated outside the company. Accordingly, VCW was seen as a breakthrough framework since it promotes creativity by equally valuing the views of multiple stakeholders, and non-excluding any idea before being presented to the key decision makers.

In the end of the meeting, it was realized that JMD had not decided which alternative to pursue. Consequently, and in order to exploit the paths with the highest potential, it was important to establish a clear research question. Accordingly, Hortinha and Lopes became in charge of developing a new research question to be answered by the VCW team. After an in-house discussion, the final challenge became: “Which new businesses can JMD develop, outside its current role as a distributor/representative of brands, that allow risk diversification and value creation, not only for the company but also for the Group?”.

### **VCW Phase 1 - Discover Value (Tap): Understanding JMD’s business model, market space and the challenge**

The implementation of VCW at JMD was divided into 5 different phases: 1) Tap, 2) Induce, 3) Analyze, 4) Ground and 5) Operate. Although these phases are sequentially presented, it is important to remind that VCW’s flexibility is one of its main advantages, being possible to review and incorporate input throughout the process, and if needed to restart at any of its stages. To understand JMD’s business model, the VCW team was invited to attend a presentation organized for the effect and started conducting primary and secondary research in order to collect data about the market space. Soon, it was realized that the research question was too broad since there were multiple incremental businesses into which JMD could enter and diversify risk. However, within the current businesses, there was still space to grow and to improve operations and processes. Consequently, new business ideas such as the acquisition of facilities to be responsible also for production, ended being not considered the expected outcomes for the project. Accordingly, the research question was reviewed and reformulated to the following: “Which is the best strategy to grow in HoReCa channel?”. This represented a much more focused question to guide VCW team’s efforts. From here it became imperative to understand the characteristics of the channel and JMD’s position in the same. Primary and

secondary research allowed the VCW team to gain insights and to characterize the channel as presented in the next section.

### **HoReCa Channel and JMD Position**

The term HoReCa results from the contraction of the words Hotel, Restaurant and Café (or Catering or Canteen). This channel comprises establishments and companies that prepare and serve food, meals and drinks, as a rule, to be consumed outside home. This definition was validated with Marta Lopes and Daniel Maia, responsible for JMD's sales in new channels, which includes Food Service (HoReCa and Kiosks & Others) and Impulse (Vending, Gas Stations, and Airports) segments. Also, they decided that Canteens would not be studied.

The VCW team was able to recover data for the Consumer Food Service segment in Portugal as a whole. Nonetheless, this was not considered a problem as its sub-segments go hand-in-hand with each other. In 2013, Consumer Food Service sales in Portugal registered a value of 6,1 billion euros, 44,4% accounting for food and 55,6% accounting for drinks. The segment was largely impacted by the economic crisis, which modeled new patterns of consumers' behavior. As a result, Euromonitor's projections for the period 2013-2018 record a decrease of 2,7% in Consumer Food Service sales. Nonetheless, it is expected a positive growth rate in sales' value of 2,2% between 2016 and 2018. For the period 2013-2018, the number of outlets and transactions is estimated to increase by 5,3% and 3,3%, respectively (see **Exhibit 3**).

To reach as many Food Service establishments as possible usually, the sale of food brands in the segment is ensured by distributors, responsible either for a local, regional or national coverage. An analysis by category foresees that the number of food packaged categories with negative volume performances will decline between 2013-2018 (see **Exhibits 4 and 5**).

Key trends in Consumer Food Service market denote an increased demand for domestically-produced packaged food and local production. The boom witnessed in the demand for healthy

products is expected to influence Food Service operators' offers towards healthier, modern and more convenient food options. Parallel to the domestic trend it has also been verified an increased interest in ethnic flavors. Moreover, online transactions in the segment and the number of chained outlets are predicted to increase (see **Appendix 13**).

To better comprehend the channel and JMD's business model in HoReCa channel (see **Appendix 14**), the VCW team interviewed Daniel Maia. His position was created in April 2015 and besides sales in the channel, it includes the monitoring and visiting of clients. Although sales in HoReCa channel amount to less than 10% of JMD's sales, this interview confirmed the fact that JMD is paying a lot more attention to the channel. Distribution is made indirectly through distributors and partnerships, which have been rising and currently number around 60 (see **Appendix 15**). JMD's growth in the channel is highly conditioned by HoReCa clients' specific needs, for instance, in terms of formats. Relationship with clients is one of the factors that highly influence the establishment of contracts, a point confirmed with the creation of Maia's position, as sales have been rising significantly since then.

Competitors' strategy in HoReCa channel was not easily traceable due to lack of available information. Among the major players in the channel the following were listed: Nestlé, Pepsico and Sumol+Compal. Unilever and Recheio, which manages Caterplus Food Service activity, also compete with JMD in some categories, even being part of Jerónimo Martins Group. Visiting competitors' websites, the VCW team found that many have a specific section to HoReCa customers with a specialized catalogue, and a dedicated team of vendors in the field. Furthermore, some JMD's distributors also represent and distribute brands in Portugal, having their own portfolio.

Closing this phase, the market research and knowledge acquired by JMD about HoReCa channel, supported the belief that sales could increase in this channel.

## **VCW Phase 2 - Create Value (Induce): Collecting Solutions and Filters**

The second phase was divided into two distinctive steps: 1) brainstorming of solutions and 2) brainstorming of filters.

Ideas' generation was encouraged through the realization of interviews, questionnaires, workshops, brainstorming and focus groups sessions, where diverse stakeholders participated. Two brainstorming sessions were organized at JMD with 10 workers, responsible for distinct business areas. External sessions and workshops involved around 13 students of the Master's degree in Management of Nova School of Business and Economics (Nova SBE), 15 students from MIT Portugal and 20 members of Nova SBE's Clubs, including Nova Consumer Goods Club, Nova Junior Enterprise and Nova Marketing Club. Interviews were conducted with some industry-related stakeholders, ranging from companies as Torrestir to Vila Galé Hotéis, and also 2 Academic Professors, both with experience in the distribution industry. A focus group session was realized with the start-up Uduni. From these exercises resulted 40 different ideas. Moreover, 15 questionnaires (see **Appendix 16** and **17**) were made to HoReCa's establishments to comprehend how they acquire products to be sold as well as their relationships with distributors. Online surveys (see **Appendix 18** and **19**) were also used to understand HoReCa final consumers' perception regarding the availability, diversity and easy to buy food products in the channel. For this survey, 106 answers were obtained, which, combined with previous data, guided the VCW team to create 10 new ideas. Each idea derived either from a market-pull or from a technology-push perspective (see **Appendix 20** and **21**). Following the first, the VCW team took an outside-in view and defined the needs of the target market that JMD might satisfy in the future. For the second, an inside-out view allowed the team to determine the attributes of the product/service and to assess their value to each target market.

For the second stage, brainstorming of filters, the VCW team's list was based on filters applied in past VCW projects and on the records from past interviews and exercises, where important

discussions were held. Moreover, in some of the previously mentioned workshops and brainstorming sessions, the VCW team specifically asked participants to think about potential filters. By the end of this process, the VCW team collected 70 filters, which were grouped into 4 categories: Product/Service/Technology/Person, Market/Competition, Team/Company and Environment. In order to enhance exercises' efficiency, stakeholders were invited to play the Poker Method, developed by Lages and Hartmann (Lages, 2015), as this is a systematized way to validate, review, multiply or disregard existing solutions and filters.

### **VCW Phase 3 - Validate Value (Analyze): Feedback from JMD's Board of Directors**

On April 7, a meeting with the Board of Directors (see **Exhibit 6**) was scheduled, with the aim to present, discuss and validate the final ideas and filters gathered during the previous phase. However, the VCW team felt that an important piece was missing to complete the Induce phase: the ideas and filters created by the Board of Directors. As such, the meeting was structured to start with an initial brainstorming of filters, where the key decision makers were asked to answer the question "Which do you consider to be the key criteria to select/exclude ideas to be implemented in the next phase?". Subsequently, the VCW team exhibited the filters collected and opened the discussion with the aim to briefly assess key decision makers' initial feeling about their importance. The deliberation between the Board members and the VCW team allowed the clarification and complement of some filters as well as the creation of new ones. At this point, the Board suggested that some of the filters should be considered as qualifiers, criteria that should be met initially otherwise the project would not proceed.

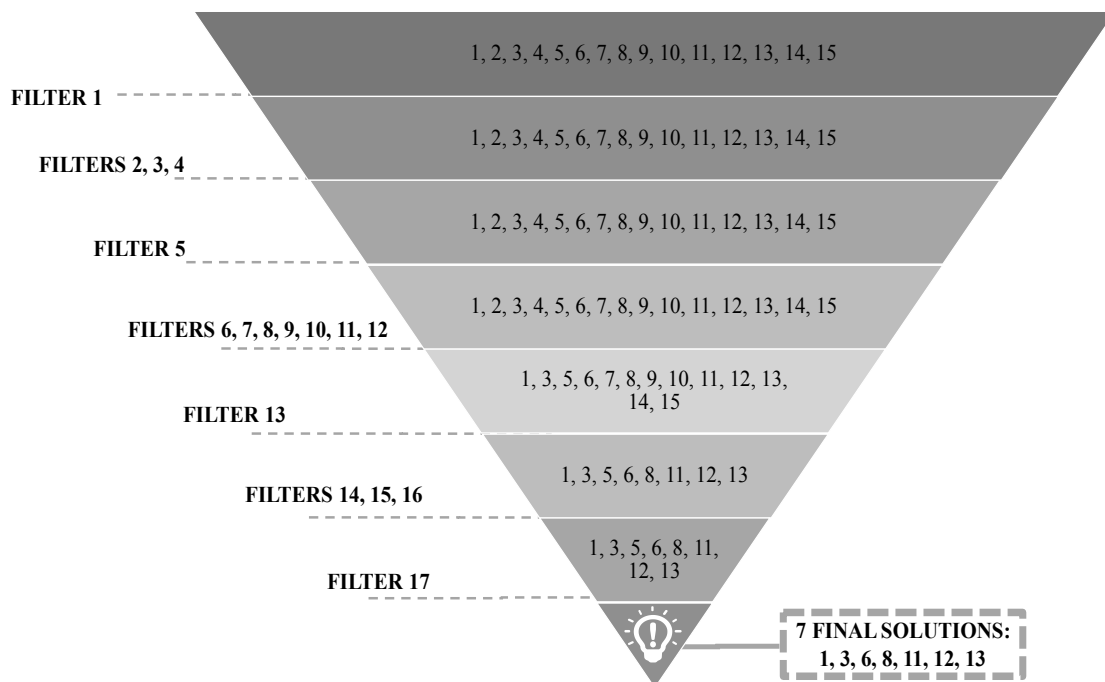
The same scheme was adapted for solutions, with the Board being asked the question "Which ideas do you suggest to solve this challenge?". After, ideas collected were exhibited and the key decision makers were asked to share the ones that they recorded the most, in an attempt to evaluate their initial potential. The Board revealed its surprise with some of the ideas, but also

found curious the fact that ideas generated in other sessions organized in the company, as Design Thinking workshops, did not appear. As such, ideas mentioned during the meeting, as the one to introduce a brand of deserts, were registered to be listed. At this stage, the Poker Method was fundamental to validate, review, multiply and eliminate both solutions and filters. After the meeting, the VCW team had the task to purify the list of solutions and filters and to incorporate the latest input. The final list sent to the Board had 59 ideas and 75 filters (see **Appendix 22** and **23**), which was required to classify the ideas in a “Low-Medium-High potential” scale. For filters, it had to perform the same assignment and also rank the ones classified as medium or high potential from the most important to the least important. Besides, the filters regarded as qualifiers should be marked and quantitative filters should be given a numerical range to guide the work of the VCW team in the Value Creation Funnel (VCF). It was agreed with Hortinha and Lopes that the weights reflecting decision power would equal 13,5% for each member of the Board and that the remaining percentage of 5,5%, would be given to Lopes. Such division was then used to measure the potential of ideas and filters, depending on their weighted average. From this task resulted 15 possible solutions and 17 filters, ranked accordingly to the feedback given by the Board of Directors (see **Appendix 24** and **25**). Moreover, 5 filters were considered as qualifiers.

#### **VCW Phase 4 - Capture Value (Ground): Identifying the Final Solution**

With the 17 filters that resulted from the previous phase, the VCW team built the VCF in order to find the idea with the highest potential. In total, 7 levels of filters were used in the VCF, since in the final list of 17 filters, some were equally ranked by the Board. As such, the second, the fourth and the sixth layers in the VCF included more than one filter. The VCF started with the most important filters and went down with the least important ones. From the initial list of 15 ideas, 7 passed through all the filters and would be presented to the Board.

**Figure 1 – Value Creation Funnel (VCF) applied to JMD**



## Legend

List of Ideas with the Highest Potential
1. JMD Food Service Team: -Create a team focused on this channel; -Segment the channel either by type of Client, location or product; -Institute a Door-to-Door strategy (increase market coverage); -Benchmark how other players in the market approach this channel (e.g., Nestlé, Makro, Mondelez, Pepsico, Gordon Food Service, Gira Foodservice); -Define KPIs according to the segmentation done; -Promote the visit of the assistants, key accounts or managers with know-how of the products to the different points of sale.
2. Create incentive programs to distributors;
3. Shopping centers in order to supply restaurants and cafés of that shopping (e.g., chained groups such as Starfoods, Multifoods);
4. Exploit new product opportunities with established Chains (e.g., Padaria Portuguesa);
5. Create receipts, products, menu options that include JMD's brands products (e.g., Tabasco Hot Spicy Pizza with Domino's Pizza or Lindt Chocolate Milk at Starbucks);
6. Within the current brands develop the product line/assortment;
7. Gourmet burgers restaurants (e.g., Hamburgueria do Bairro, Honorato, Gutsy, H3);
8. Healthy Lifestyle Promotion: -Look for brands that are focused on the promotion of a healthy lifestyle; -Add products in the category of healthy food to JMD's portfolio.
9. Offering Sunquick to fast food restaurants taking advantage of the growing healthy trend;
10. Market niche: large hotels in Algarve;
11. Partner with other brands with or without their own distribution network. Create complementarities between products. For beverages partner with companies such as Bacardi-Martini (e.g., cocktails mixed with Sunquick);
12. Search for brands with adequate assortment/formats to include in JMD portfolio;
13. Agreements/Partnerships with the main players in the channel to distribute/sell JMD brands: • Caterplus and other representative distributors in the channel; • Distributors that cover points of sale non visited by JMD (e.g., Delta); • Mars, Nestlé, Pepsico;
14. Design with the brands different menus to sell in Cafés (e.g., breakfast menu sponsored by Kellogs). Support HoReCa with more than just the product;
15. Create events for the brands in Restaurants.

Ranked Filters (1-Most Important; 17- Least Important)
1. Alignment with JMD's Strategy
2. Which brands/products --> Only relevant brands in this channel?
3. Business model
4. Need for a specialized structure
5. Follow consumers' trends
6. Competitive prices of JMD's brands/products
7. Distribution Efficiency/Service Reliability (Lead times, OTIF)
8. Brand's willingness to expand their operations to Portugal
9. Credit/Financial condition of Clients
10. Willingness to create a team specialized in the channel
11. JMD growth goals for the channel
12. Supply chain structure/Logistics
13. Market Coverage
14. Willingness to include new brands in JMD's portfolio
15. Distributors' portfolio
16. Ability to develop with brands specific strategies for this channel, namely regarding the adaptation of formats (does this fit with brands' strategy, values and identity?)
17. JMD know-how/expertise in the channel

Source: Developed by the VCW team

**VCW Phase 5 - Consolidate Value (Operate): Ideas’ Prioritization and Discussion**

In this phase, a final meeting with the Board was scheduled with the aim to present the final ideas and to decide their pathway based on a Go, No-Go or Check evaluation. To attend the presentation, the Board invited external stakeholders, which confirmed its intention to involve as many participants as possible in order to guarantee unbiased feedback. First, the VCW team looked for the Board’s opinion regarding the number of ideas considered suitable to be implemented. Since the Board considered the 7 final ideas as non-exclusive but rather complementary, it decided to Go with all of them, but grouped into 4 big ideas. As such, jointly with the key decision makers, the VCW team defined the 4 final solutions, as illustrated in **Figure 2**. Under these 4 solutions, minor ideas were allocated, namely the introduction of a Healthy Food category, in line with JMD’s portfolio development.

**Figure 2 – 4 Final Solutions**

<b>Idea 1</b>	<p>JMD Food Service Team: Create a team focused on the segment.</p> <ul style="list-style-type: none"> <li>- Sales and Marketing Workforce;</li> <li>- Benchmark how other players in the market approach this channel (e.g., Nestlé, Mondelez, Pepsico);</li> <li>- Visit different points of sale by key accounts/vendors team (e.g., Door-to-Door Strategy).</li> </ul>
<b>Idea 2</b>	<p>Strengthen JMD's portfolio:</p> <ul style="list-style-type: none"> <li>- Develop the product line/assortment;</li> <li>- Search for brands with adequate assortment/formats to HoReCa channel;</li> <li>- Add new categories of products (e.g., products in the category of Healthy Food).</li> </ul>
<b>Idea 3</b>	<p>Route-to-Market - Partnerships/Agreements with other brands and players in the channel.</p> <ul style="list-style-type: none"> <li>- Create complementarities between products (e.g., for beverages partner with companies such as Bacardi-Martini - cocktails mixed with Sunquick)</li> <li>- Players such as:             <ul style="list-style-type: none"> <li>• Caterplus and other representative distributors in the channel;</li> <li>• Distributors that cover points of sale non visited by JMD (e.g., Delta);</li> <li>• Mars, Nestlé, Pepsico.</li> </ul> </li> </ul>
<b>Idea 4</b>	<p>Focus on Centralized Chains (e.g., chained operators located in shopping centers such as Starfoods, Multifoods).</p>

Source: Developed by the VCW team

Since the Board decided to Go with the implementation of these 4 ideas, it was time to prioritize them, a topic that raised discussion. Some elements regarded JMD’s route-to-market as the most important point since this would allow JMD to improve its performance in the whole

segment, by redefining partnerships and getting feedback from the market. In contrast, others considered JMD's portfolio as the major weapon to grow in the channel. Without an attractive portfolio, with more categories of products, good partnerships would be difficult to establish. Similarly, some deemed the creation of a specialized team as a third step, only worth after developing the channel and the portfolio. Nonetheless, some argued that without such a team it would be difficult to assess market's needs and gaps to tap into, in order to differentiate and to compete in the channel. Otherwise, JMD would be just a follower. Furthermore, key decision makers debated the composition of the Food Service team, which was thought to include people from Sales and Marketing. Besides, some considered that recruiting people from outside, with experience in the channel, would be fundamental as JMD's focus is mass-market.

Also, time frame constraints were perceived as an important factor to take into account when prioritizing solutions, since portfolio's development was seen as a more complex and slow process than channel's improvement. This was because the first requires JMD to study the market, contact brands, establish contracts and strategies for the Portuguese market. Likewise, it was claimed by some members of the Board that route-to-market improvements should be conducted upfront in order to maximize sales in the channel with the current business model, while portfolio's development should be an ongoing process. Moreover, the idea for a Food Service team was considered by some as a decision prior to the others, which were seen as projects to be developed in the channel. After all, the ideas to review the route-to-market and the portfolio were viewed as interrelated and hence, it was difficult to rank them. Distribution efficiency was also stated as a key factor to grow in the channel.

Regarding the fourth idea, the same resulted from a redefinition of the idea to target shopping centers, as centralized chains might be located in shopping centers or not. The discussion was open and the Board should decide how to progress with ideas' operationalization. Accordingly, the Board was asked to vote individually in each of the solutions in a scale "Low-High Priority".

From higher to lower priority, the result of the voting was the following: 1) JMD Food Service team, 2) JMD's portfolio, 3) JMD's route-to-market and 4) Centralized Chains.

### **Which Direction to Take?**

The Board acknowledged the relevance of the solutions presented and praised VCW's contributions. Pedro Castro, Sales Director, claimed that "VCW, being a rational and systematized tool, guided decision-making and promoted discussion in the company of frequently spoken views and opinions". Moreover, Hortinha added that "VCW promoted the involvement of multiple parties within the company that otherwise probably would not be called to participate in the discussion". Roque Ferreira, Export Manager, mentioned the fact that "interesting ideas created in the initial phases of the process could be checked and incorporated in JMD's future projects". It was asserted that the 59 ideas generated in the previous phases would be kept in a bank of ideas to be later reviewed. Also, the Board considered that VCW accelerated the decision process, allowing to define key solutions and decisions for the challenge. Likewise, VCW was regarded as an innovative approach that allowed the company to assess its resources and capabilities with the aim to improve company's growth potential.

In its 5-months project, the VCW team completed a Value Creation Radar (VCR) cycle, which permitted JMD to have a first feeling regarding the value of the opportunity studied. JMD should now decide if further VCW cycles, which explore in detail the 15 Is of Innovation, would bring added value and support the company in the next steps towards ideas' operationalization. Once ideas were presented, the Board had the task to decide how to progress with the proposed solutions. Should the ideas be implemented in the sequence defined or developed in parallel? How could JMD redefine its business model in the channel? These questions were among the ones to be solved by the Board in order to design a structured strategy in HoReCa channel and grow in line with JMD's perspectives and with Jerónimo Martins Group's vision.

## Teaching Note

### Case Synopsis

The case describes the application of the Value Creation Wheel (VCW) in Jerónimo Martins Distribuição de Produtos de Consumo (JMD). The VCW team was hired to design a growth strategy to be implemented in HoReCa channel, as JMD revealed the desire to explore new opportunities in this channel.

After a brief description of the company and JMD's future challenges, the case moves to the execution of VCW's phases. In the first phase, **Tap**, the team collected data in order to define the market space and to understand JMD's position in the channel. The second phase, **Induce**, was aimed to collect possible solutions for the problem as well as filters to be applied in their selection. In the third phase, **Analyze**, a meeting with the Board of Directors was held in order to validate and refine the ideas gathered as well as to choose and rank the filters that would form the Value Creation Funnel (VCF). In the fourth phase, **Ground**, using the VCF, the team identified the ideas with the highest potential. Finally, in the fifth phase, **Operate**, the VCW team presented the final ideas to the Board. Then, each idea was assessed on a Check, Go, No-Go basis. As the Board decided to Go with all the final ideas, the case closes with the discussion of ideas' operationalization and prioritization.

### Learning Objectives

The case is designed to stimulate discussion in courses as Value Creation, Innovation Management, New Product Development, Marketing, Strategy and Change Management, at the Masters, MBA and Executive education levels. Depending on the course taught, teaching objectives will vary. Next, some of them are underlined:

- To analyze the five phases of the VCW;
- To understand how VCW helps to solve the paradox of choice;

- To learn how to identify the solution with the highest potential for a challenge;
- To emphasize the contribution of outsiders' view in a company's growth strategy.

### **Discussion Questions**

1. To what extent VCW brought added value to JMD?
2. What do you consider to be JMD's strategic options in HoReCa channel? Address this question by performing a TOWS analysis for JMD.
3. How is the theory of Value Creation related to the main findings of VCW at JMD?
4. Which do you consider to be JMD's key needed resources to operationalize the ideas recommended? Use the 3 M's Framework: Men, Money and Minute.

### **Recommended Readings**

Lages, L. F. (2016). VCW—Value Creation Wheel: Innovation, technology, business, and society. *Journal of Business Research*, DOI: 10.1016/j.jbusres.2016.04.042.

### **Discussion Notes**

#### **1. To what extent VCW brought added value to JMD?**

The main goal of this question is to illustrate VCW's contributions as a “flexible stage-gate model” (Lages, 2016) that allows companies to overcome the paradox of choice and to define focused and unbiased value propositions. JMD benefited from a project that explored HoReCa channel as an opportunity to commit to a future-oriented growth strategy. VCW stimulated discussion in the company and therefore, allowed JMD to focus on the potential of HoReCa channel and accordingly, to explore company's resources and expertise. The VCW team guided a structured process that culminated with the presentation of an unbiased solution to the Board of Directors. One of VCW's key differentiator factors is that it promotes the generation of a

massive number of ideas and filters by involving multiple stakeholders, internal and external, in the project. Throughout the process, all ideas and filters are viewed as valid, which stimulates creativity and prevents early elimination of potential solutions. It is from this pool of ideas, assessed by the Board of Directors, that the one with the highest potential is selected.

Moreover, VCW promoted innovation in JMD, through the discussion of breakthrough ideas. Besides, as highlighted by the Board of Directors, VCW facilitated the decision-making process and made it shorter. Likewise, all the ideas created during the process were kept to be later reviewed in order to be incorporated in the company’s business model.

**2. What do you consider to be JMD’s strategic options in HoReCa channel? Address this question by performing a TOWS analysis for JMD.**

This question aims to ensure that JMD’s business model in HoReCa channel as well as the market context are understood, by employing the TOWS matrix tool. This is a strategic tool that enables managers to examine strategic alternatives, taking advantage of opportunities and minimizing threats by exploiting strengths and overcoming weaknesses.

<b>External/Internal</b>	<b>External Opportunities</b> <ul style="list-style-type: none"> <li>• Potential of Food Service segment in Portugal;</li> <li>• Growing demand for Healthy Food;</li> <li>• Consumers’ demand for differentiated and quality products;</li> <li>• Rising e-commerce and m-commerce transactions;</li> <li>• Growing share of chained operators.</li> </ul>	<b>External Threats</b> <ul style="list-style-type: none"> <li>• Intense competition (well established and with specialized offers to the channel);</li> <li>• Stringent government regulation;</li> <li>• Environmental related laws;</li> <li>• Food safety;</li> <li>• Lower-priced private label offerings.</li> </ul>
<b>Internal Strengths</b> <ul style="list-style-type: none"> <li>• Strong brand portfolio;</li> <li>• International and national known brands represented on an exclusive basis;</li> <li>• Know-how in the food distribution business;</li> <li>• Strong market position of the Group Jerónimo Martins.</li> </ul>	<b>“Maxi-Maxi Strategy”</b> <ul style="list-style-type: none"> <li>• Exploit new product opportunities with established operators;</li> <li>• Target chained operators (e.g., chained groups such as Starfoods, Multifoods);</li> <li>• Add products in the category of Healthy Food to JMD’s portfolio;</li> <li>• Within the current brands develop the product line/assortment.</li> </ul>	<b>“Maxi-Mini Strategy”</b> <ul style="list-style-type: none"> <li>• Agreements/Partnerships with the main players in the channel to distribute/sell JMD’s brands (e.g., Delta, Pepsico, Mars, Sumol+Compal);</li> <li>• Develop the company’s portfolio (add new brands, new categories, explore market needs);</li> <li>• Create complementarities with products from other brands (e.g., alcoholic brands with Sunquick)</li> <li>• Design with the brands different strategies to support the channel.</li> </ul>
<b>Internal Weaknesses</b> <ul style="list-style-type: none"> <li>• Low technology level;</li> <li>• High dependency on distributors;</li> <li>• Lack of a dedicated team to the channel;</li> <li>• No customized portfolio for the channel;</li> <li>• Lower differentiation in the channel.</li> </ul>	<b>“Mini-Maxi Strategy”</b> <ul style="list-style-type: none"> <li>• Website section dedicated to HoReCa channel (e.g., including a digital catalogue);</li> <li>• Investment in the creation of a Food Service team;</li> <li>• Specialized catalogue to the segment (adequate formats and attractive bundles);</li> <li>• Design of differentiation strategies (e.g., JMD signed receipts, partnerships with chefs);</li> <li>• Marketing Strategies (e.g., presence in fairs of the channel, communicate in industry related websites).</li> </ul>	<b>“Mini-Mini Strategy”</b> <ul style="list-style-type: none"> <li>• Team of vendors/drivers, responsible for the communication in the different points of sales;</li> <li>• Merge/acquire a smaller distributor;</li> <li>• Create a distribution network specific to this channel (e.g., distribution through van selling);</li> <li>• Cross-selling products of the distributors in exchange for better conditions;</li> <li>• Add to JMD’s portfolio non-food products that complement the offer (e.g., disposables, machines, plates and recipients).</li> </ul>

Source: Developed by the VCW team

Each quadrant corresponds to different strategies: (1) “Strengths and Opportunities (SO) – How can the company take advantage of opportunities using its strengths?”; (2) “Strengths and Threats (ST) – How can the company avoid real and potential threats by taking advantage of its strengths?”; (3) “Weaknesses and Opportunities (WO) – How can the company use its opportunities to overcome current weaknesses?”; and (4) “Weaknesses and Threats (WT) – How can the company minimize its weaknesses and avoid threats?”.

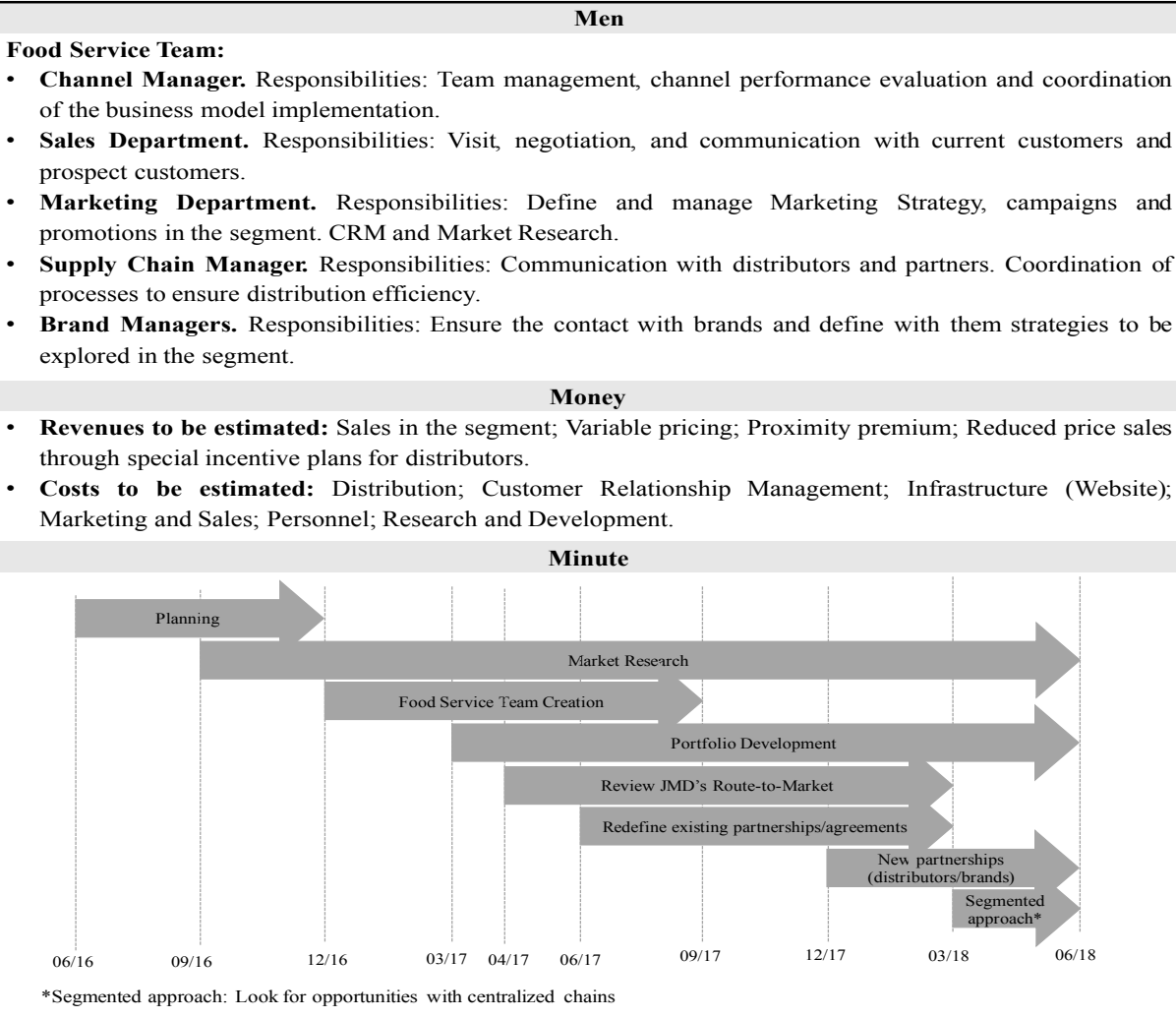
### **3. How is the theory of Value Creation related to the main findings of VCW at JMD?**

The VCW project conducted at JMD highlighted some of the topics covered in the first part of this thesis. The challenge proposed to the VCW team was aimed to create value, not only for JMD but also for the Group Jerónimo Martins. Moreover, from the beginning the Board showed their willingness to consider internal and external opinions. As such, the concern of both the VCW team and JMD was value co-creation. Accordingly, the methodology was applied with the goal to involve as many stakeholders as possible. The main purpose was the development of a growth strategy, capable to satisfy the demand of all the related stakeholders. Ideas and filters collection was made free of barriers, which promoted breakthrough innovation and creativity. This was an acclaimed point, as some of the ideas and filters were seen as truly novelty for the company. Furthermore, the VCW allowed JMD to assess its main activities, knowledge and capabilities by following an innovative approach. It consisted in a method that stimulated organizational change and facilitated problem-solving decisions. Accordingly, VCW allowed to reach solutions that challenged JMD’s current business model. Besides, VCW was regarded as a systematized tool for ideas and filters’ selection and application, which turned out the process shorter and easier. In the future, further VCW cycles can be used to help JMD in the definition of a human resources strategy, allowing the evaluation of knowledge and expertise in the Food Service segment. Also, JMD's route-to-market can be cleared by applying

other VCW cycles in order to explore market opportunities and to discover new brands/distributors to whom to partner with. Likewise, VCW can help JMD to improve its portfolio, by exploring market needs and gaps, namely concerning the supply of centralized chains.

**4. Which do you consider to be JMD’s key needed resources to operationalize the ideas recommended? Use the 3 M’s Framework: Men, Money and Minute.**

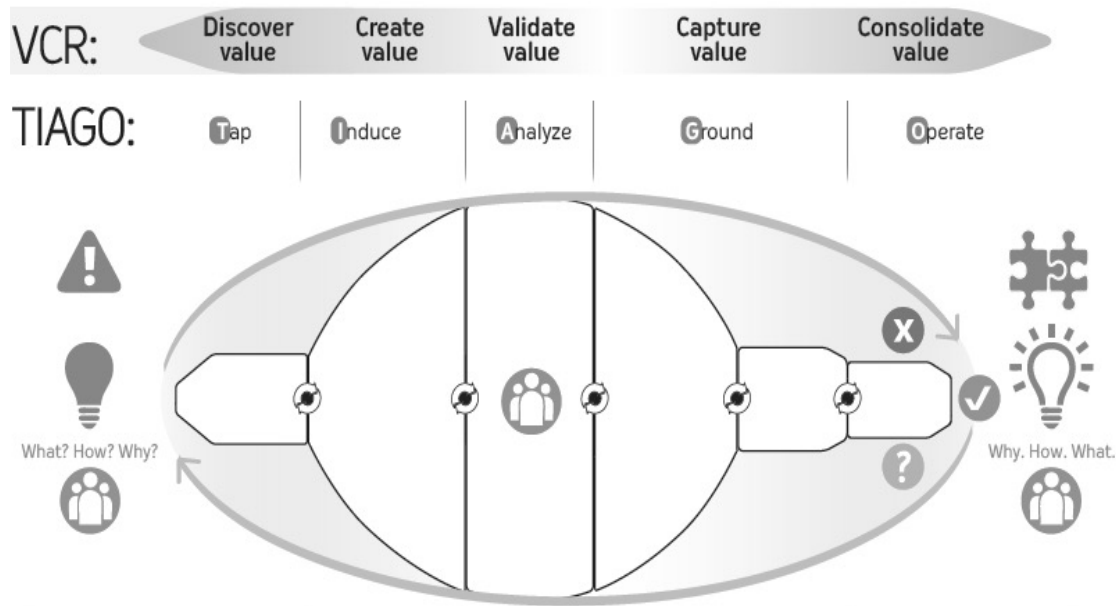
The 3M’s Framework allows to analyze potential JMD’s key needed resources to implement the ideas. Regarding Men, it is proposed a constitution for the Food Service Team. For Money, further analysis is needed but some sources of costs and revenues are presented. Concerning Minute, it is suggested a timeline for ideas’ implementation.



Source: Developed by the VCW team

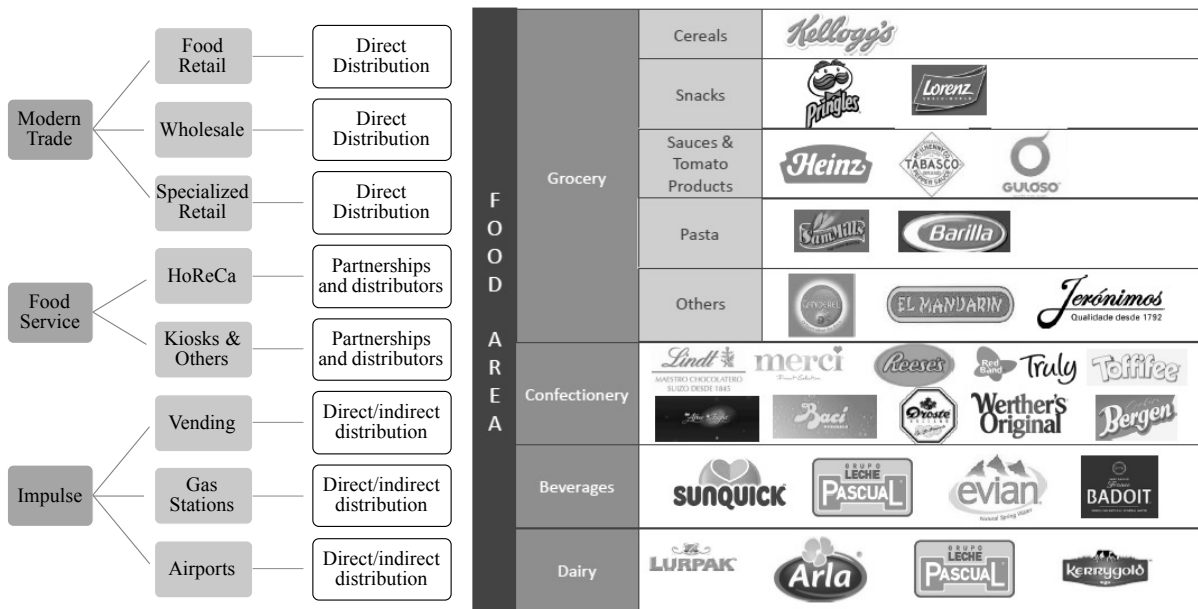
## Exhibits

### Exhibit 1 – The Value Creation Wheel (VCW)



Source: Lages, L. F. (2016). VCW—Value Creation Wheel: Innovation, technology, business, and society. *Journal of Business Research*. DOI: 10.1016/j.jbusres.2016.04.042.

### Exhibit 2 - JMD's Route-to-Market and Brand Portfolio



Source: JMD Internal Presentation, 2016

### Exhibit 3 – Portuguese Consumer Food Service Market

<b>Number of Consumer Food Service outlets</b> 2013: 79 506 2013-2018: 5,3% (expected total growth)	<b>Consumer Food Service sales</b> 2013: 6,1 € billion 2013-2018: -2,7% (expected total growth)	<b>Consumer Food Service transactions</b> 2013: 1,2 billion 2013-2018: 3,3% (expected total growth)
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Source: Euromonitor International, 2014

## Exhibit 4 – Food Service Sales of Packaged Food by Category in Portugal

Food Service Sales of Packaged Food by Category: Volume 2013 (in millions of tones)		Food Service Sales of Packaged Food by Category: % Volume Growth 2013-2018		
Category	2013	Category	2013-18 CAGR	2013/18 Total
Baby Food	-	Baby Food	-	-
Bakery	85,2	Bakery	0,6	2,9
Canned/Preserved Food	38,5	Canned/Preserved Food	0,1	0,3
Chilled Processed Food	4,6	Chilled Processed Food	0,8	3,8
Confectionery	2,5	Confectionery	-0,4	-2,0
Dairy	250,5	Dairy	0,5	2,8
Dried Processed Food	77,6	Dried Processed Food	0,0	0,1
Frozen Processed Food	26,6	Frozen Processed Food	-0,3	-1,6
Ice Cream	17,7	Ice Cream	1,3	6,5
Meal Replacement	-	Meal Replacement	-	-
Noodles	0,1	Noodles	1,7	8,8
Oils and Fats	125,3	Oils and Fats	0,5	2,6
Pasta	13,4	Pasta	0,9	4,5
Ready Meals	1,4	Ready Meals	-1,3	-6,5
Sauces, Dressings and Condiments	29,0	Sauces, Dressings and Condiments	-1,1	-5,3
Snack Bars	-	Snack Bars	-	-
Soup	0,1	Soup	0,8	4,1
Spreads	1,0	Spreads	0,9	4,7
Sweet and Savory Snacks	2,4	Sweet and Savory Snacks	-3,9	-17,8
<b>Packaged Food</b>	<b>660,9</b>	<b>Packaged Food</b>	<b>0,4</b>	<b>1,8</b>

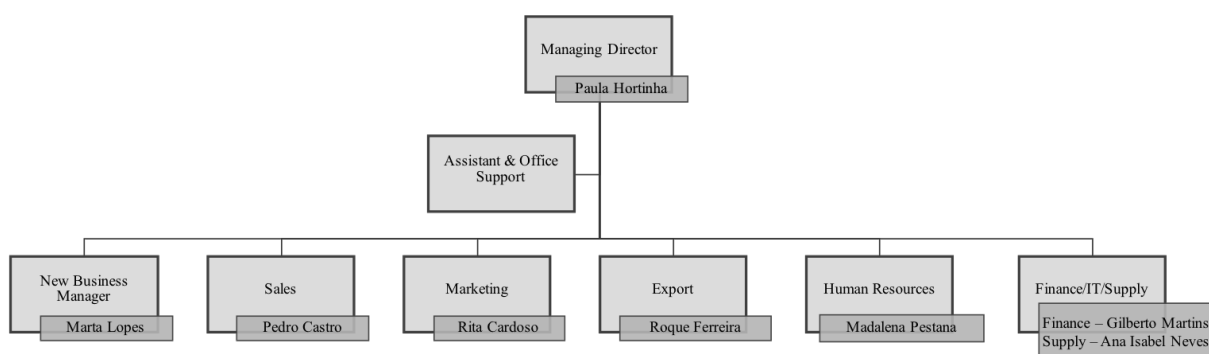
Source: Euromonitor International, 2014

## Exhibit 5 – Portuguese Juices and Bottled Water Market

Portuguese Juices and Bottled Water Market Value: € million			Portuguese Juices and Bottled Water Market Value Forecast: % Growth 2013-2018		
Category	2013	On-Trade Market Share	Category	2013-18 CAGR	2013/18 Total
Juices	197,3	26,6%	Juices	1,1	5,5
Bottled Water	434,7	30,6%	Bottled Water	2,6	13,4

Source: Marketline, 2014

## Exhibit 6 – JMD’s Board of Directors



Source: JMD Internal Presentation, 2016

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### **Case Study 3: “The Value Creation Wheel Applied to a Technology Company in the Healthcare Sector: Internationalization of Whymob”**

#### **Abstract**

This case study illustrates the application of an innovative methodology, the Value Creation Wheel (VCW) in a technological company operating in the Healthcare sector, Whymob. The VCW was applied to determine the best market abroad to launch one of Whymob’s products, a Transplantation Solution. The research question defined in the beginning of the case was “Who cares abroad about this Solution?”. The process included constant feedback from the Board of Directors in order to improve the efficacy of the VCW. A business model was developed with the goal of preparing Whymob for a possible entry in the suggested market.

**Keywords:** Healthcare; Internationalization; Organ Transplantation; Value Creation Wheel.

### **Case Study 3: “The Value Creation Wheel Applied to a Technology Company in the Healthcare Sector: Internationalization of Whymob”**

On a cold December morning in 2015, Paulo Pires, CEO at Whymob, was on his way to another meeting with the Portuguese Blood and Transplantation Institute (IPST) to address the latest adjustments to the Transplantation Solution, scheduled to be implemented in early 2016. His mind kept wandering about the outstanding possibilities that this newly developed system could bring. *This system could actually be implemented abroad without requiring much adaptation*, thought Pires. His partner, Henrique Ahnfelt, the company’s CSO shared the same opinion. They had been discussing the subject for the past year, however, the current developments in Portugal always proved to be more important. Recently, Pires had become aware of the Value Creation Wheel developed by Lages (2016) and *perhaps*, he realized, *that tool could prove useful to approach the international expansion idea*. He decided he would contact the VCW team after the meeting with IPST.

#### **Company Overview**

Whymob was founded in 2013 by three partners: Oramix, a company specialized in software for database management, Paulo Pires, the current CEO and Pedro Rocha, the current CTO. The goal, at that time, was to develop mobility solutions with a focus on integrated solutions for healthcare. Whymob benefited from the technological know-how of its members obtained in other successful technological companies. Therefore, despite being a young company, its members were already very experienced in the area from working in other IT related firms. Whymob’s headquarters are located in Maia with offices in Algés. Since 2013, the company has mostly developed products in the healthcare area, but also outside this area: local tourism

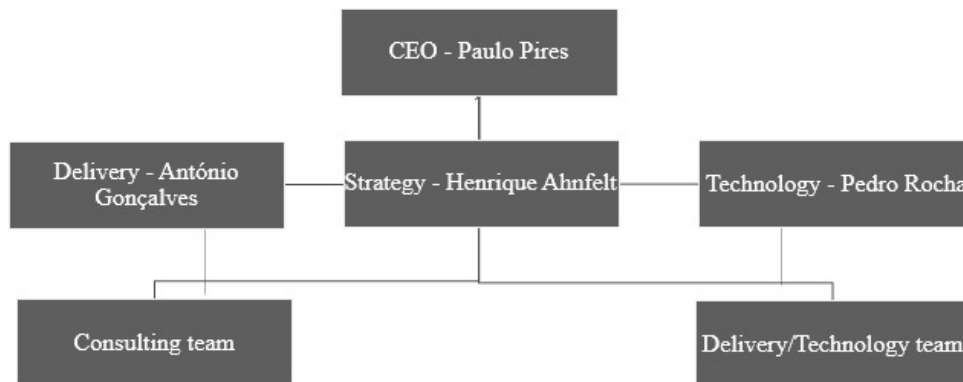
apps, industrial management systems and a management system for advertisement outdoors, among others.

Whymob defends the values of simplicity, creativity, efficacy and people. These are all quite evident in the range of products developed. The company's vision, according to the CSO, is to "be able to bring innovation to solve existing problems using new technologies, in order to integrate and complete what already exists."

The company evolved throughout the last years, adapting to the changes in the competitive landscape. Henrique Ahnfelt joined the company in 2014, with a background in strategic consulting, and contributed to these changes by introducing a more strategic approach. Mobility solutions were already a saturated market according to Ahnfelt's vision, thus Whymob should focus not only on mobility, but also on the possibilities that came up with the rise of mobile solutions. Whymob then focused on innovation to complement, improve and create new solutions. These adjustments have been occurring gradually as Whymob faced new challenges. The company started with small projects on mobile apps which have been replaced by bigger projects, contributing to the high growth of the company in its few years of existence. The staff nowadays is comprised by 10 full-time equivalents, with the flexibility in Whymob's structure allowing for slight adjustments, according to the current needs.

There are three departments working directly with the CEO, Paulo Pires (see **Figure 1**). The Delivery Department managed by António Gonçalves, which is in charge of effectively developing the systems, the Strategy Department headed by Henrique Ahnfelt, aims at making the right strategic decisions and the Technology Department managed by Pedro Rocha, focused on technological improvements. Under these departments there are two other sections related to Consulting and Delivery/Technology, comprising 2 and 4 workers, respectively.

**Figure 1 - Whymob's Organizational Chart**



Source: Whymob Internal Presentation, 2016

The company's main focus has been on the health sector with a strong emphasis on innovation in order to differentiate in this highly competitive sector. Whymob's range of capabilities includes consulting, design and implementation. The company is currently involved in the development of several systems with the aim of supporting vital health processes. Among these systems, the transplantation one is considered the most promising yet.

The development of the transplantation system was financed by the Portuguese Government and it is to be implemented during 2016. This project started when Whymob won the public tender back in 2015. A few of the experienced staff that joined Whymob had already worked with the Portuguese Government in developing an app for blood donation and, as such, Whymob was invited to participate in the public tender for the creation of the Transplant system. After the development of the system was started, Whymob and IPST identified the importance of adding a mobility complement that would go along with this system. Hence, the mobile app was created to be used in smartphones and tablets. The app was funded by Fundação Vodafone since this institution is closely linked to public utility and mobility areas.

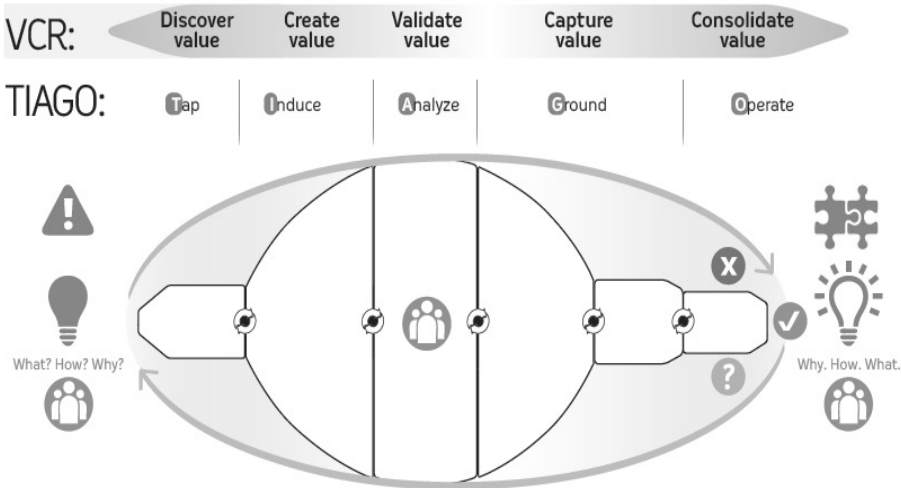
Whymob's products capabilities were, according to the company's Board, ideal for an investment in an international market. Since the early developments of the transplantation system, the Board of Directors realized the potential of this product to be launched abroad. It was a modern system, which addressed all the emerging needs during the transplant process.

Additionally, the app brought a mobility dimension to the system, providing a valuable solution to reduce time wasted during the process. The main drawback of this idea were the adaptations that would have to occur when launching such a product abroad. Yet, Whymob’s Board still believed that the potential of this system and app was still too big to remain solely in Portugal.

**Initial Meeting: Whymob and the VCW**

When compared to most of their competitors, Whymob differs due to its focus on innovation and capacity to think “outside the box”. VCW’s ability to go one step further and think “with no boxes” (Lages, 2016) is a methodology that complements and enhances this line of thinking in practice at Whymob. The VCW, as a framework with 5 different stages (see **Figure 2**), each being flexible and customizable, brings a structure to the innovation process that can be adapted to Whymob’s needs. Whymob had already settled defined structures applicable for the organization of the innovation process and the application of ideas and results. However, their innovation process in itself was not structured. For that reason, they decided to try the VCW after some contacts with the framework developer, Professor Lages.

**Figure 2 - The Value Creation Wheel (VCW)**



Source: Lages, L. F. (2016). VCW—Value Creation Wheel: Innovation, technology, business, and society. *Journal of Business Research*. DOI: 10.1016/j.jbusres.2016.04.042.

## **VCW Phase 1 - Discover Value (Tap): Understanding the Product and the Market**

During the first contacts between the VCW team and Whymob, back in January, the company's CEO, Paulo Pires and CSO, Henrique Ahnfelt, presented three products, which they considered to be the most relevant ones for an international expansion. These products were the ones, from Whymob's portfolio, with the highest Technology Readiness Level (TRL). However, focus towards one product was required to ensure the effectiveness of the VCW. Thus, the VCW team had to pressure the Board of Directors in order to arrive to a single product and to the problem that should be tackled by the VCW.

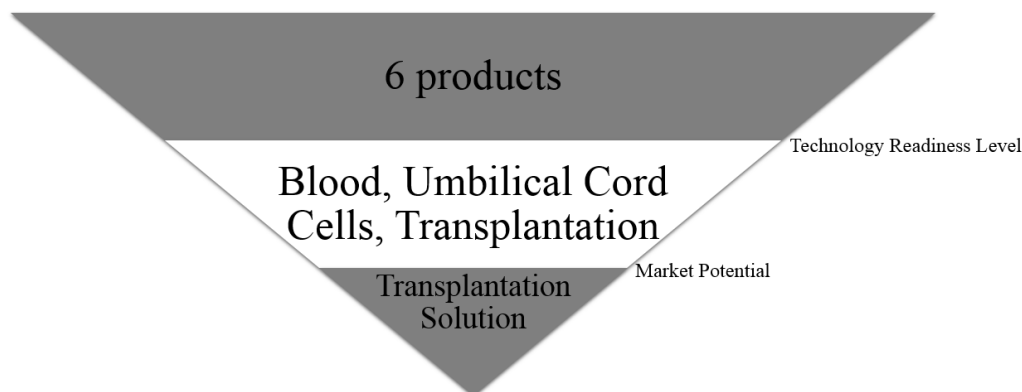
The indecision among the two main decision makers was evident at this point, concerning whether they should start by introducing the company or the problem. Then, Pires introduced Whymob to the VCW team by presenting the three main systems that the company was developing: the blood system, the umbilical cord cells system and the transplantation system. The first one aims to manage the blood reserves. It includes a public app that alerts the users in case of specific needs for their blood and gives feedback according to their blood donations. The second one has the goal of tracing the umbilical cord cells from their collection until the storage in the stem cell bank. The third one is triggered when someone is found brain-dead and can be considered a potential organ donor. There is an app with two sides (for patients and professionals) that complements the transplantation system. "All three systems are about logistics" Ahnfelt explained. The goal of the transplantation system is "to make more people survive and live longer with better quality" by saving time and giving better information for the patients regarding their post-transplant life. These three products were tailor-made for the Portuguese healthcare market and were already implemented or being implemented in this location. Consequently, all of them would require adaptations if launched abroad.

After the products were presented, the VCW team emphasized the importance of defining a research question. Pires stated that Whymob wanted to reach new markets. Ahnfelt added that

these products have, in his perspective, a great potential to succeed internationally. However, the two main decision makers were still indecisive about which system should be addressed by the VCW team.

To break the deadlock, both Ahnfelt and Pires considered two early filters: TRL and market potential (see **Figure 3**). The three systems presented had a similar TRL, however the market potential of the Transplantation system surpassed the other two.

**Figure 3 - Early usage of filters**



Source: Developed by the VCW team

Ahnfelt and Pires defined the Transplantation system as a solution that comprised the system itself and the app with the professional side and the patient side. This bundle was named “Transplantation Solution” and it would be the product that the VCW team should focus on.

Ahnfelt also showed some concerns regarding the existence of very similar systems in other countries. The VCW team discouraged these concerns at this stage since this was a wrongful usage of early filters, compromising the potential outcome of the VCW.

A consensual starting point for the project was eventually achieved: expand the Transplantation Solution to a foreign target. Accordingly, the research question to be answered by the VCW team was: “Who cares abroad about this Solution?”.

After the first encounters, the VCW team’s main concern was to fully understand the Transplantation Solution and how it created value for the Portuguese healthcare system. In

order to reach a better grasp on the process of Transplantation in Portugal (see **Appendix 26**) and the role of Whymob's Solution, the VCW team conducted a wide research which included interviews, analysis of Whymob's internal documents and meetings with Whymob's workers. The Transplantation Solution, as previously stated, does not consist solely of a web system but also includes a mobile app for patients and professionals. Analyzing the version that is currently being implemented in the Portuguese healthcare system, the VCW team attempted to define the attributes of the Solution as well as understand its role in the entire transplantation process. The Solution is currently being tested at Hospital São José, but it is expected to be fully operational during 2016. Then, it will be expanded across the country to all hospitals involved in the transplantation process. When fully implemented in Portugal, the system would be available to all doctors involved in the process. It would require an authentication with username and password. According to the role of the doctor, the information that each can access varies. The main area contains information regarding organ harvesting, the waiting list, next transplants and patients' follow-up. The alerts are also an important part of the Solution which allows to save precious time, particularly with the usage of the app. The Solution provides alerts for situations such as adverse reactions, incidents and user management, for instance. It is also prepared to manage the payments system made to doctors for each successful donor identification or transplant, occurring during the process. In the future, only the payments registered in Whymob's software will be considered by the Health Authority. Furthermore, the Solution includes functionalities that are managed by other medical systems, but integrated through a technical interface between the systems. This allows to obtain critical information regarding the patients and also transfer data automatically to other databases (see **Figure 4**).

**Figure 4 - The Main attributes of the Transplantation Solution**

<ul style="list-style-type: none"> <li>- Organizes information</li> <li>- Facilitates the communication</li> <li>- Highlights the reasons for failures in the process</li> <li>- Allows to add information easily</li> <li>- Immediate information about all the relevant information</li> </ul>			
<b>Patient</b> <ul style="list-style-type: none"> <li>• Waiting List</li> <li>• Pre-transplant information</li> <li>• Patient selection</li> <li>• Post-transplant information</li> </ul>	<b>Administration</b> <ul style="list-style-type: none"> <li>• Organ assignment</li> <li>• Organ transport</li> <li>• Payments</li> </ul>	<b>Donor</b> <ul style="list-style-type: none"> <li>• Detects deceased potential donor</li> <li>• Donor evaluation</li> <li>• Organ harvesting</li> </ul>	<b>Lab</b> <ul style="list-style-type: none"> <li>• Patient analysis</li> <li>• Donor analysis</li> <li>• Patient/donor match</li> </ul>

Source: Developed by the VCW team based on Whymob’s Internal Data

The VCW team met with Maria João Xavier, a technician at the Transplantation Office in Hospital São José, to understand the value of the Transplantation Solution. “Currently, data is very scattered, making it hard to exchange information” she answered, when asked about the current problems in the Portuguese transplantation network.

Hélder Trindade, the President of IPST (Portuguese Institute for Blood and Transplantation) and Ana França, the national coordinator for Transplantation, were also interviewed by the VCW team in this early stage of the project. Trindade argued that this Solution could not be applied to other countries, due to differences in organizational models. According to Trindade, these differences could not be offset by adaptations to the Solution. Additionally, França stated that most countries already had a very similar management system. These opinions were seen as a potential major drawback in the development of the project, since it would mean that the Solution could not be commercialized abroad. However, this feedback proved to be very useful to understand the biggest limitations of Whymob’s Transplantation Solution and take them into consideration for the remainder of the project.

Nevertheless, the VCW team believed that the VCW would allow the discovery of a market with the need for a Solution similar to the Portuguese one, already developed by Whymob.

## **VCW Phase 2 - Create Value (Induce): Collecting targets and filters**

In the second stage, the goal was to gather the maximum possible amount of ideas and filters.

The ideas would include all the potential targets and stakeholders of the Solution while the filters would consist of factors of differentiation among those targets.

A market-pull and tech-push approaches (see **Appendix 27** and **28**) were used with the objective of finding potential targets through the needs of the market and the attributes of the product, respectively.

The interviews made in the previous stage were also taken into consideration to add more ideas and filters to the pool. Furthermore, the VCW team interviewed Pedro Saraiva, a Professor at Universidade de Coimbra in the areas of Innovation and Entrepreneurship, who showed great interest in the project.

The VCW team conducted various brainstorming sessions with people from diverse backgrounds in order to reach a wide range of both ideas and filters. The brainstorming sessions included three group exercises with 13 Management students from Nova School of Business and Economics, 15 BioEntrepreneurship students from MIT Portugal and 10 BioEngineering from Faculdade de Ciências e Tecnologias da Universidade Nova de Lisboa. The first one was more focused on obtaining ideas, while the second and third targeted potential filters.

This process allowed to collect 19 potential targets and 48 filters. The 48 filters varied from the Economic to the Political area, including Technological, Legal, Social, Sector and Company related filters.

## **VCW Phase 3 - Validate Value (Analyze): Receiving Feedback from Whymob**

After the ideas and filters were gathered it was time to meet Whymob's Board of Directors once again, in order to validate the project developments. To kick-off the meeting, the VCW team asked the Board to present their own ideas and filters. Afterwards, the ideas and filters were

compared with the ones previously collected. Most topics were already considered but there were a few that the VCW team had not yet come across. The valuable input from those who are closer to the product enabled us to add 4 more ideas and 3 more filters, reaching a total of 23 possible targets and 51 filters (see **Appendix 29** and **30**).

The potential of the different ideas was discussed with Whymob's representatives and they were also asked to rank the presented filters in order of importance. This method allowed the VCW team to identify the 13 most relevant filters from the initial list of 51 (see **Appendix 31**). Moreover, the ranks attributed by the Board of Directors were combined in order to create a ranking of the most important filters to use in the next stage (see **Appendix 32**). The Board displayed special concerns regarding the existence of similar systems in other countries. Consequently, that was immediately identified as the first filter to be applied. Regarding the remaining filters, there were some concerns about the measurability of a few of them, which caused them to be ranked lower. The similarity of some filters was also a topic of discussion, and the fact that there were filters that could potentially be interpreted in different ways. The VCW team agreed to review the ranked filters and contact the Board with a refined list of the most relevant ones.

By the end of this meeting, the Board showed great enthusiasm, emphasizing the new perspectives presented by the VCW: "The VCW allowed us to have a clearer view regarding the entities who could care about our product" commented Ahnfelt. Pires acknowledged that the amount of people involved contributed for better results: "If there were only two or three people coming up with the filters we would not have arrived to such a wide range of filters."

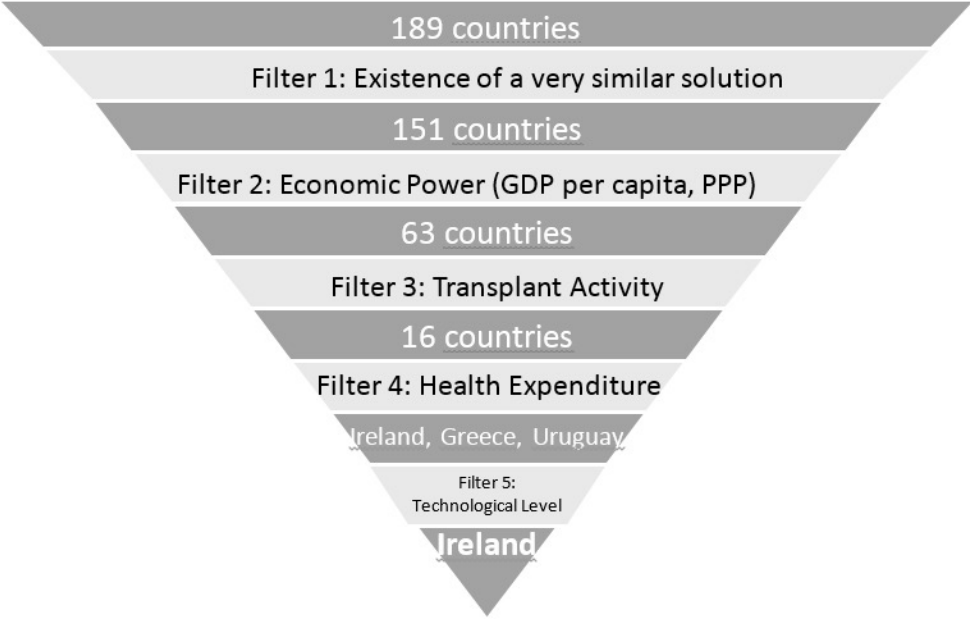
#### **VCW Phase 4 - Capture Value (Ground): Arriving to the final destination**

Now that the most relevant filters to be applied in this stage had been accepted, the VCW team had to investigate their measurability. *Added Economic Value*, for instance, was a filter that the

Board believed to be important, yet there was no adequate way to measure it. Nevertheless, the VCW team still considered the Economic Power of countries using a different filter. Essentially, the VCW team was able to include filters from different areas which resulted in a multiperspective analysis.

The VCW team decided to apply the filters globally, meaning that all the countries in the world were considered. Therefore, the Value Creation Funnel (VCF) (see **Figure 5**) started with 189 countries (members of the IMF) and the filters were carefully applied to gradually reduce the number of countries in order to consider the 5 most important filters, according to the Board. In this case the VCF led to Ireland, a country that proved to be strong in all the indicators and, most importantly, which did not show evidence of having already any established transplant system (see **Appendix 33**).

**Figure 5 - The Value Creation Funnel applied to 189 countries**



Source: Developed by the VCW team

Within Ireland, the VCW team still had to look at the potential targets for this kind of product. The results of the research highlighted 3 main targets as the ones with the highest potential in

this country. The first one was the Government, more specifically the Organ Donation and Transplant Ireland (ODTI), the entity that manages organ transplantation in Ireland. This was a predictable target as it is the organization that presently manages all the transplant activity in the country. Moreover, in Portugal, Whymob had also targeted the Government. The second possible option was St Vincent's Healthcare Group, a group of public and private hospitals that currently coordinates liver and pancreas transplants in one of its hospitals. The third promising option was the Irish Kidney Association, an organization with 25 branches around Ireland which supports and promotes kidney transplantation in the country.

However, after further analysis the Government revealed to be, by far, the most interesting target to focus on, due to its size, importance and role in the process. Thus, the VCW team thought that it would not be necessary to apply a second VCF for local targets. This also opened perspectives for a potential replication to what was being implemented in Portugal.

The research conducted on the Government's needs revealed interesting documents and recent quotes. The latest report from ODTI included the goal to "develop an enhanced national database for all organ donation and transplant activity" in the near future. Moreover, according to a spokeswoman from the Irish Department of Health "Additional funding has been provided to the HSE's [Health Services Executive] Organ Donation and Transplant Office to facilitate the development of improved infrastructure to support organ donation and transplantation". Transplant activity in Ireland is expected to increase due to changes in legislation. The Irish Department of Health is working on legislation to introduce an opt-out system, which would mean that citizens, instead of registering to be donors, now will have to register to become non-donors. The change is expected to have a great positive impact in transplant numbers, similarly to what has happened in many countries that already adopted this legislation, including Portugal. For these reasons, the Government was considered to be the best target for the expansion of Whymob's Solution into Ireland.

## **VCW Phase 5 - Consolidate Value (Operate): Developing an entry strategy**

Approaching the Irish Government poses a tremendous challenge due to the unknown factors of the project, which will only become evident after several meetings, but also due to sheer intricacy of targeting a foreign Government in such a sensible and complex endeavor.

When targeting a Government, the contracts usually start in one of two ways: through a public tender or by initiative of the company, stressing an innovative product which had not yet been considered by the Government. The first method cannot be applied in this case because there is no open public tender for this purpose. Therefore, it is logical that Whymob must approach the Irish Government in order to make their product known. In this case, the right entity would be the HSE. Whymob would be able to present their Solution, check the viability of such project and, most importantly, understand the specific requirements to the implementation in this foreign country. The fact that Whymob has already developed a similar system in Portugal can be considered a tremendous competitive advantage, since it saves costs and time for the buyer. It would also be possible for the buyer to verify *in loco* how the implementation of this system in Portugal is evolving. In order to establish a direct contact with the HSE, Whymob could, for instance, visit specific events in Ireland to develop a network with the goal of scheduling a meeting with the HSE. Business events with the presence of the HSE or conferences where this entity would be represented could be valuable opportunities to approach the subject. Alternatively, a first contact through e-mail or telephone would also be acceptable as long as it leads to a face to face meeting in the future. To summarize all the information, the VCW team developed a Business Model Canvas to be introduced to the Board (see **Appendix 34**).

The VCW team scheduled a final meeting to present the results of the project and to receive feedback from the main decision makers on their willingness to pursue the model developed. Pires and Ahnfelt had already gained knowledge about the results of the VCF as they attended

the Value Creation in Healthcare Conference on the 13<sup>th</sup> of May, where this project was presented. However, they were yet to see the plan prepared by the VCW team.

In the final meeting, Whymob was represented by Pires, Ahnfelt and two other team members, Isabel Mateus and António Gonçalves. The final results of the VCW generated an interesting discussion, as they captured the enthusiasm of the Board. The feedback was considered into improving the Business Model, in order to draw a general plan of what needs to be done to guarantee the success of a foreign expansion. The team reached the conclusion that it is very hard to prepare all the details without knowing exactly the requirements from the client. Contacts between Whymob and the Irish Government are necessary before being able to determine a realistic cost and revenue estimation.

The requirements would also decide if there is the need to hire a permanent team in Ireland. Whymob wishes to develop a Solution working through the “Cloud” but it is not certain if that will be possible. If it is in fact mandatory to have a permanent team working in Ireland, then it could be seen as an opportunity for Whymob to establish itself as a player in the Irish healthcare market and potentially invest in other innovative solutions in that region.

### **The next steps**

After the final presentation to the Board, the VCW team observed promising reactions. The VCF result, Ireland, was well received by Whymob’s team members. Gonçalves admitted “I had never thought about Ireland”. He showed interest in contacting the Irish Embassy to obtain relevant contacts in Ireland. Pires then decided to schedule another meeting where these topics would be discussed in more detail. The VCW team saw this as a sign that the international path appears to be imminent for Whymob, with Ireland as the first target. Will it prove to be a valuable target? Only time will tell as the VCW tool will, most likely, be put to test.

## Teaching Note

### Case Synopsis

The case starts with the introduction of Whymob: the evolution and description of this Portuguese IT services company focused on the healthcare sector. Whymob decided to work with the VCW team in order to successfully identify a target abroad for their Transplantation Solution, which is being implemented in the Portuguese health system.

The VCW methodology is comprised of 5 major stages. The first phase, **Tap**, begun with an extensive research regarding the company, the transplantation process and the value added by Whymob's Transplantation Solution. The investigation then proceeded to the second stage, **Induce**, where potential stakeholders interested in this Solution and filters were identified. In the third phase, **Analyze**, the VCW team received feedback from the Board of Directors regarding the elements collected in the previous phase. In the fourth stage, **Ground**, the ideas and filters selected by the Board of Directors were applied globally to determine the best target for the Transplantation Solution. In the final phase, **Operate**, the VCW team created an entry strategy adapted to this international market. However, due to the lack of current information regarding the suggested target some details remain uncertain, requiring a more comprehensive research.

### Learning Objectives

This case study can be taught in courses as Business Strategy, Innovation Management, International Marketing and Value Creation courses at the Masters, MBA and Executive levels.

The learning objectives can vary depending on the course and may include the following:

- To understand how the VCW can be applied, through the five different stages, in a perspective of internationalization;
- To learn how to effectively identify an international market with strong potential for a certain product, technology or patent;

- To realize the importance of having a methodology to help with difficult and demanding decisions within a company;

### **Recommended Readings**

- Lages, L. F. (2016). VCW—Value Creation Wheel: Innovation, technology, business, and society. *Journal of Business Research*, DOI: 10.1016/j.jbusres.2016.04.042.

### **Discussion Questions**

1. Which were the benefits sought by Whymob through the VCW and how did it benefit from the VCW?
2. Which were the main limitations found during the application of the VCW?
3. Why do you consider that Whymob should pursue a strategy of internationalization and which are the next steps?

### **Discussion Notes**

- 1. Which were the benefits sought by Whymob through the VCW and how did it benefit from the VCW?**

Whymob has always been a very innovative company, looking to develop new complementary solutions and being able to think “outside the box”. For these reasons one might wonder why did they want to adopt an innovative framework. Was there any need for this kind of methodology in such an innovative company? The answer comes from the fact that Whymob’s innovation was not structured. The process of innovation in the company was not state-of-the-art in itself and the Board of Directors wanted to change that. This young company has recorded promising growth in the last years and the addition of the VCW to the structure of the company could help keeping that trend active. If the company chooses to continue expanding abroad

then, the VCW will be very helpful when deciding between the infinity of potential targets. Whymob can expand the usage of the VCW for its other products and then, apply the VCW to other purposes: selecting the best market application for a certain technology, deciding in which healthcare subsector should Whymob focus next, among others. Incorporating the VCW framework in the organizational structure would certainly be a step in the right direction to guarantee the future of Whymob as an innovative company.

The other motive that led Whymob to hire the VCW team, illustrated in the case, relates to the fact that they wanted to discover the best target abroad for their Transplantation Solution. The VCW was a powerful tool for that purpose which had already been tested in similar internationalization projects yielding promising results. The benefits of adopting the VCW are closely related to the reasons for its adoption. During the usage of the VCW by the VCW team, Whymob was able to get involved in the process and understand how the VCW can be applied in all types of projects. Thus, Whymob obtained a great tool to apply when faced with paradoxical questions or choices that can be applied in future projects. The company now has a structured approach to innovate more and better. Moreover, Whymob now has valuable knowledge about a target ready to be explored, which presents ideal conditions for the implementation of the Transplantation Solution.

The impact of the VCW in the organizational structure of Whymob will only be completely visible after the project with the VCW team is finished. However, the VCW team believes that this methodology can have a positive impact in the future of Whymob.

## **2. Which were the main limitations found during the application of the VCW?**

The application of the VCW required a profound research and contact with external stakeholders. In this case, however, the specificity of the product and its current stage of implementation made it quite difficult at times to follow this approach.

Firstly, the Transplantation process is a very particular topic and most experts in this subject were already involved in the project. Thus, the VCW team faced difficulties when trying to find a source of ideas and filters who was not part of this project already. This was, of course, a major limitation since the involved sources of information had some degree of bias. To address this limitation, the VCW team conducted group exercises which included students in the biological area with some understanding of the transplantation process. Alternatively, the transplantation process was always explained in these group exercises to guarantee that all participants were correctly informed.

The research about the product and the market was conducted during a period when the Transplantation Solution was still being implemented, which made it difficult to understand the attributes of Whymob's products. Most of the major features of Whymob's product were not yet visible because it was still being tested in a single hospital.

During the fourth stage of the VCW, the team also found difficulties in applying filters, which the major decision makers had considered relevant. Some of these filters could not be measured even through proxies, which made the VCW team decide to apply the following most relevant filter. However, it is impossible to know if this decision eventually had a decisive impact on the results of the VCF.

The VCW team also faced challenges in the last stage when developing the entry strategy for the Irish market. Once again, the difficulties in finding information on such a specific topic limited the final outcome of the Business Model and the recommendations for Whymob.

### **3. Why do you consider that Whymob should pursue a strategy of internationalization and which are the next steps?**

Whymob's most successful products have been developed for the Government. The company may easily reach a stalemate, when the Government turns to other companies or reduces the

investment in this kind of products. For that reason, Whymob's idea of internationalization makes total sense. The company has to look for new customers abroad to reduce the dependence from Portuguese entities. The experience that Whymob has acquired in dealing with a Government and the products already developed for this specific type of client may prove very useful to target other Governments abroad. Even if Whymob decides to target other stakeholders involved in the process, it still has the advantage of the high TRL of its product. As the research showed, there are still dozens of countries without an advanced management system for their transplant process, which, for different reasons, were excluded during the application of the VCF. However, in the future, the Board may decide that new filters are more relevant or only some markets should be considered. This way, the VCF would lead to different locations ready to be explored. There is an infinity of targets that Whymob can approach abroad and the short timeline of this project only allowed the VCW team to truly focus in one country. The VCW team believes that Whymob should firstly focus on VCW team's recommendation, Ireland, applying the developed Business Model. A successful outcome would mean that ODTI is, in fact, interested in Whymob's Solution, allowing for a prolific entrance in the Irish market. After the project is concluded, and the Solution is fully functional, Whymob can focus on introducing their other products into this market. If the outcome is not the expected then there are alternatives: targeting other stakeholders within Ireland, as considered in the VCW team analysis, or running a new VCW cycle to obtain different results. Either way, the international expansion appears to be the best investment for Whymob in the near future.

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