



Re-thinking strategic thinking

What if Gregory Bateson taught Business Strategy?

What if Gregory Bateson had taught strategy?
Part 5

Leading-Following Business Model



- Bateson was always concerned that we build accurate “models” of processes – describing processes in the way that they **do** work...
- John talks you through building such business models

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00:00 Well, here's an experiment, recording with Zoom.



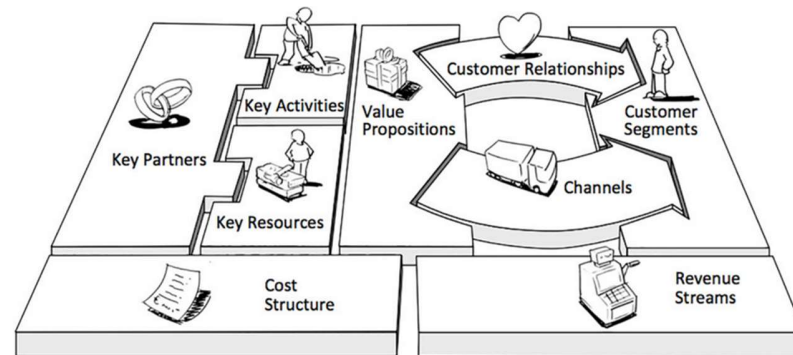
I threatened you with a talk about Business Models



00:14 I threatened that I would do a piece about business models and business modeling.

So here we are. And I'm still, I'm going to do this live. This is the first time I've used this technique and this technology.

So we're learning together, so to speak.



00:38 Anyway, there is out there, this, it's called the business canvas. And it has been developed over a number of years and layers and layers have been added to it.

00:55 And if you search for business model on Google, you'll almost certainly come across this beastie. I'm not too happy about this. **This is not a Batesonian approach** to doing things at all.

01:10 Specifically, you need to be, I'm waving my fingers about as if you can see the screen. You need to be looking at the different elements of the different

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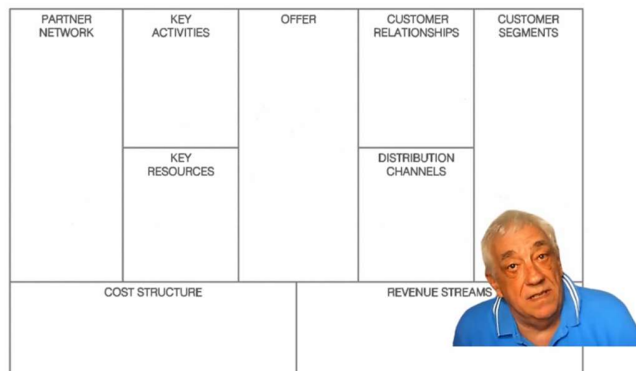
parts of the little lorry at the heart and one thing and another.

01:27 And as you look at those, the lorry and the heart particularly, because they're about connecting a business with the environment, *you're then supposed to remember or work out all the stuff that matters for that.*

I wonder.

01:42 Anyway, it breaks down into a canvas that looks like this.

THE BUSINESS MODEL CANVAS



And you would be writing on this canvas to describe your customer segments, to describe the relationships with them, to describe the distribution channels to get them the offer.

This is an external and very analytical way of doing it. It is about looking at the business as an object.

02:10 And if you've been seeing the other videos, you'd understand that this is something that I'm so keen with.

02:17 The other thing that comes with this in the conventional view of strategy is are you going to be resource-based in your viewing of it, or are you going to be market-based?

Which emphasis are you going to have, because we're encouraged to have one emphasis or the other.

Irrelevant for us.

But this modelling does stress the traditional view of strategy as an entity, a business sitting in an environment with a configuration which is designed to connect to that environment.

I can't buy my feelings, can I?

03:05 That is not what Bateson would have given us, not what Bateson would have given us at all.

And he would not like it.

He would not like it.

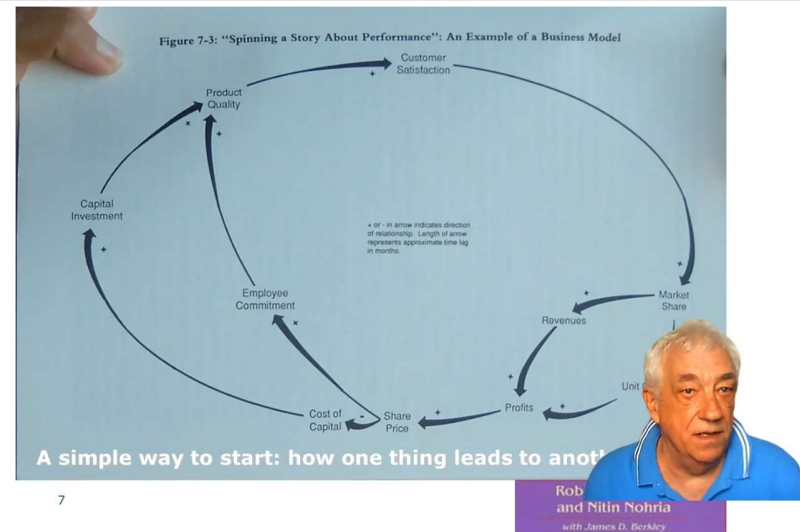
What do we have instead?

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- 03:18 Well, we're going to introduce a modelling to you which, when I was working and teaching in the business school, we called the leading following business modelling process, business modelling technique.
- 03:31 And it starts off with a diagram in a book called "Beyond the Hype" by Eccles and Noria. Here's the cover. Go find it. Find it on Amazon or your favourite second-hand book shop. Sorry, second-hand book website. Well worth the investment. It is a good book. I can't remember the page number, but here you are. It's figure 7.3.

[04:03.400 --> 04:10.400] If you look at the top of the page, it's saying, look, to gain customer satisfaction, or rather,



- if we gain, sorry, not to gain, if we gain customer satisfaction, what follows from that is something that we're interested in, market share, OK?
- Now, I need to move this way a bit. There we go. As our market share goes up, then two things happen, provided the market's not declining, course.
- 04:36 One is our unit costs go down, and the other one is that our revenues go up. But it follows from customer satisfaction.
- 04:51 If we increase our revenues and we reduce our costs, then happily, we increase our profits, our profitability,

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- and as our profits increase, our share price or our value, inherent value of the business increases.
And if you follow the outer circle at the bottom, as that happens, the cost of capital, borrowing, reduces, and therefore, we can afford to borrow more, to invest more, capital investment.
- 05:25 As we improve our processes through that capital investment, then, whoopee, we get better product quality, and that should lead to even further enhanced customer satisfaction, OK?
You can tell this is American because the notion of employee commitment follows from an increase in share price.
So there's an assumption here that the guys are on some kind of incentive. And as the financial rewards increase, their commitment increases, and therefore, the product quality increases. I don't particularly like what is written on here.
- 06:06 But what grabbed my attention and I think would really, really match work with Gregory Bateson's thinking is this circular flow idea.
OK, really significant, really important.
- 06:27 So how does it go? How does it play out?
Well, what we would do in class is we would say, OK, guys, we're running a restaurant. In one of the earlier videos, you heard me talking about games I would play with the students and asking them what you needed to get a restaurant to run.
And this carries on from that.
- 06:49 The starting point we're using, we're assuming, is we have customers, and we have a table for them to sit at.
- 07:00 So let's follow the circularity of it. I've got troubles again. The waiting staff are really, really important in building the tab.
- 07:17 What we're after is we're after the client following recommendations from the waiting staff. And there's a real nice and interesting skill in waiting staff of facilitating the customers getting what they want, but with this little edge of adding some more to the tab, more to the bill.
- 07:42 But anyway, the waiting staff leads the customers.
Oops, there we go.

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07:49 But the waiting staff do not have a blank. They don't have a blank piece of paper or anything that they can... Sorry, they cannot offer *anything*. There's things they can offer, but they can't offer anything.

08:01 They are guided by a menu. So we have a menu that guides the waiting staff, so they don't go and do things which are stupid in terms of what the kitchen can do.

08:14 And after the dialogue or the discussion between the waiting staff and the client, the customer, we send an order into the kitchen.
And that links the activity in the kitchen.

08:30 The kitchen will process that order in sequence, we hope. If not, I'll shoot the button.

08:40 But again, what's on the menu can't come from anywhere. The menu has to follow certain things. If we're a high-class, high-end restaurant preparing fresh food, it's very, very obvious that the menu of the day has to follow the ingredients which are in season.

09:00 But also, we've made other strategic decisions about the kitchen and about the technology that's available

in the kitchen or the cooking process, the ovens, so blah, blah, blah.

09:13 The menu has to follow that technology. We can't produce things on the menu that use technologies that we don't have.

09:26 Another thing is that we can't produce things on the menu which the chefs can't cook.

09:32 They have to be skillful at executing the recipes and delivering what's on the menu.

09:38 The menu is always a balance between the things we'd like to offer, what's available seasonally for the ingredients, the skill set, the development of our chefs, and the technology that's available.

09:52 The menu follows that, the waiter follows the menu, and the clients, we hope, follow the waiter's recommendation, and we get a good, valuable order into the kitchen.

10:08 What kind of food are we serving? What kind of restaurant are we?

10:17 We need to have a clear image of our cuisine. This might not sound as simple as you might think.

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- 10:36 I happen to love Thai food, so I'm using Thai food as an illustration.
But what dishes represent Thai cuisine?
And are there standout dishes of that cuisine?
- 10:56 What we need to understand is we choose the cuisine, we need to understand the standout, if you like, the signature dishes of that cuisine,
We develop those into signature dishes of our restaurant by becoming very skilled in the technologies.
- 11:13 This image of the cuisine we want to serve is what has led our choices in the kitchen technology and the balance of assets that we've brought and put into the kitchen.
- 11:26 So, kitchen leads cuisine.
Sorry, try again, John.
Cuisine leads the kitchen. Kitchen limits the cuisine, even in a different sense.
- 11:39 Anyway, the image of the cuisine that we want leads the kitchen technology, leads the skill development of the chefs.



- 11:48 That leads the menu, that leads the waiting staff, leads the clients into their expectations and building the bill.
- 12:03 What a lot has suddenly happened.
Well, despite the game that I was playing with the students elsewhere that you may have seen, “what's the minimal configuration for a restaurant?”
- 12:17 When we're actually looking at building a restaurant, we need also to understand the way in which we lead the customer and lead the customer expectations.
- 12:35 So, here's my favourite restaurant in Nottingham, Nottingham, England, Chai Yo.

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- 12:43 The waiter, by the way, and the menu is not from Chai Yo, but the other photographs are.
- 12:51 We need to communicate with the clients and tell them that we're here, or in the case of the moment here, from the Facebook pages, a major way of communicating with potential clients and with clients.
- We'll be closed.
- No, we'd rather meet a bit, but that was on the Facebook page today.
- 13:14 But there are messages about expectations.
- 13:17 There are messages there about or from customers.
- Of course, connected to Facebook is TripAdvisor.
- 13:24 If you look up this restaurant on TripAdvisor, four-star, five-star ratings all the way through and comments about a really lovely atmosphere and lovely service. I can tell you the service is good.
- 13:38 The environment is telling.



A screenshot of the TripAdvisor website for Chai Yo Thai restaurant. The page shows the restaurant's name, location (2 Parliament Terrace, Nottingham NG1 5FX England), phone number (+44 115 950 6224), and a "Closed now" status. It also displays a "Get food delivered" section with buttons for "Order online" and logos for Deliveroo and Just Eat. The page features a grid of photos showing the restaurant's interior and food dishes. The TripAdvisor logo and navigation menu are visible at the top.

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13:40 If you look at the top-left picture, *[in the video!]* the environment is telling the client, the customer, “you are in a Thai restaurant.”

All the references there to Thai culture, but not only that, a class of the design, the clarity, the clean lines tell you something else, or indicate something else, about the simplicity, the clarity, and the elegance, in fact, of this place.

14:12 It is not as fussily decorated as some of its competitors in Nottingham.

14:20 Tarn Thai, really well-known, very popular, but so very expensive.



And then the decor in Tarn Thai is all covered in gold, colors, and rich things, and lots of pseudo-Thai artifacts. [Editor note: Ooops! Tarn Thai closed October 2020]

14:33 This one (Chai Yo), by comparison, is pared

back. There are genuine Thai artifacts that they've been, as you can see, sorry, that they use, you can see on this slide, as a couple, an English guy and his Thai wife, who are running it.

14:54 So they've taken these decisions culturally, out of their relationship, if you see it now, where they are, the way that they're engaged with, looking at the world, dwelling is the word I'm moving towards, has set them up, is that the right word?

15:17 Set them up to run a Thai restaurant. And given that's what they're doing, they're then expressing themselves through that.

15:26 **But they can't offer something that people do not want.**

15:31 So there has still been an exploration, of the demand for Thai food, the demand for different types of restaurant, around Nottingham.

15:44 This restaurant is interesting. It's not in the same area as the other, fashionable restaurants.

It's not in one of the hubs. It does sit out on its own a bit. The other thing about this restaurant, actually,

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- is it's small frontage, then you go in and down the stairs, and there's this nice big place.
- 16:11 But they have to monitor and watch the customer. They have to track what's popular on their menu, which dishes are earning them money, which dishes aren't.
- 16:28 I really have been naughty, haven't I? I've not thought about where I am. On the slide. Can I get out of the way? No, I can't. Oh, John! Anyway, I'm going to step aside. So I'm right out of the way. There we are.
- 16:55 The issue, in terms of the things that I've been talking to you about, is when I present the business model to you like this, it suggests a concrete building up. And, of course, the business has been built, inverted commas, but this building is not the same as the inside-to-outside strategic modelling, which we might get, so to speak, from considering the thing in a traditional [strategy] way.
- 17:34 So Bateson would be happy, he would be pleased with the idea of the processes.
- 17:40 The connection with Chia and Holt is that we are exploring the conditions that set something up.
- 17:51 We're exploring how the waiter needs to behave to set the client to build a big bill.
- 17:57 We're exploring how the menu is set there and guides the waiter in guiding the client.
- 18:12 What's the relationship between our vision of the cuisine, the way in which we've determined the kitchen, and what we can cook?
- 18:25 Chia and Holt would be really happy in the way in which we're thinking about how we are setting up the lead for the following to occur to establish our virtuous cycle.
- 18:46 Now then, what's the little picture at the bottom?
- 18:55 Well, I hope you can understand that somebody utilising this modelling process is working out what they need to attend to and what it is that they need to keep in balance to be able to manage the business in a purposeful way, to be able to engage in what's going on and respond in being able to cope.
- 19:30 But my interest is not so much in strategy per se. My argument in these videos is how would Bateson get us?
- 19:48 How would Bateson ask us

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	How would he want us to be teaching strategy?	21:26	Anyway, to the slide you saw but you didn't see just now
19:56	This picture at the bottom is an experiential exercise that we used a lot with our students.	21:32	Why am I promoting this little invention of mine, this style of business modelling?
20:05	Steve, who led our experiential training, he calls it bull ring.	21:42	Well, it helps us to focus on a flow, a flow of information, or a flow of influence, or a leading process.
20:15	I prefer to call it ball ring, ball in a ring, which is expressing a bit more.	22:01	I'll explain why the ball ring is powerful in helping us do that.
20:24	Anyway, let's have a look, and I'll explain to you why it is, for me, this is such a powerful learning exercise. Whoops! Whoops, Adaisy! Don't get it wrong. I'll explain it to you in the next video.	22:09	The canvas business modelling thing, which is produced by an American consultant, is much more in the tradition of American styles of strategy, strategy making, very comfortably fits with notions of Porter and the value chain.
20:50	For the moment, let me just say that you cannot move this ball from one location where it starts to another location using these strings without dropping the ball. Because if you drop the ball, you have to start again.	22:33	There are two things about it. It's static. It isn't dynamic. It doesn't explore how an entrepreneur, how business managers need to be tracking what's going on, watching what's happening.
21:11	You can't do this unless you pay attention to more than one thing at the same time. It's interesting to watch how some individuals find it very difficult to scan and to pay attention to what is happening.	22:51	It doesn't explore coping at all. It's externally, well, heavily externally contextualized and it's about configuration internally.
		23:04	It's an analysis of an object.

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23:07 It's not understanding the processes that people are engaging with as they're carrying through strategy, as they're strategising.

23:19 **The other thing which I at least managed to demonstrate to students** was if you go to a restaurant and you stand in a restaurant [with the modelling in mind] and you watch it and you go back into class and I say, make me a model, stuff gets recorded because students notice it and they remember it.

23:41 It's there. You can't put something down without... You can't think about what you're doing without putting something down.
The difficulty with the one we started with, the business modelling canvas, it doesn't pop because you can see it in your image of the business that you're thinking of, talking about.

Anyway, thank you. My first ever attempting to record a presentation with Zoom. I'll be doing another one in a minute or two, well, maybe half an hour after I've had some lunch.

24:23 Thank you for watching. I hope you enjoyed the series.
Take care.

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You take care. We'll see you next time.



The playlist

<https://www.youtube.com/playlist?list=PLOlzrdw8c9lxsImsgFsy7CO32-kTfqI4>



The playlist:

<https://www.youtube.com/playlist?list=PLOlzrdw8c9lzyKhwi0Xupdt6uaLjVAT9I>

What if Gregory Bateson had taught strategy?



If Bateson taught business strategy, what would he do?

I/We taught "good practice" in my school, **but** I can't help thinking it was **wrong**

This is about thinking through why it was wrong



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Playlist :

<https://www.youtube.com/playlist?list=PLOlzrdw8c9lwHRAUm4v9VIm2AifP3B2N>