STAR MODEL FOR BUSINESS

Introduction

The Star Model is a business proposition model made up of five components, including people, strategy, structure, processes and rewards. The model considers the business to be at the center of the five components, forming a star.
This signifies that the business is central to all other aspects, holding each one together and forming the whole star.

The purpose of the star is to demonstrate visually that each component relies on the others to meet the overall goals and strategies of the business. Some refer to this model as the Galbraith Star Model, which gives credit to its founder, Jay Galbraith, a recognized international expert on strategy and organizational design.

Benefits of the Star Model

Implementing the Star Model into your business plan offers many benefits, as it requires you to consider how each element affects the others. Here are a few of the biggest advantages of the Star Model:

Provides a business with the structure it needs to sustain value proposition:

Value propositions are important to a business, as they inform the customer why they should choose your brand, and not your competitors. The Star Method encourages you to consider each business component and determine what makes you different.

Helps a company meets its goals:

The Star Model encourages companies to evaluate their goals and what resources they need to accomplish them. This creates a plan that informs them of the specific actions they need to take to meet their goals and to evaluate how certain processes may affect others, impacting their achievement of other goals.

Encourages a company to consider how aspects relate to each other:

The Star Model also invites companies to consider how each component affects other components within the business. For example, evaluating the necessary processes of a business can help the hiring manager better understand what types of people the company needs or what rewards are necessary.

Allows a business to shape itself

By fully understanding the goals and necessary processes of a company, a business can influence employee performance and culture. For example, considering things like processes and people, they can adjust rewards to directly influence the productivity and morale of their employees.

The Five components of STAR model:

Strategy

An organization's strategy is defined by its vision, mission, and values as well as its goals and objectives. Strategy sets out the direction of the organization. It comes first in the Star Model because it establishes useful criteria for making trade-offs and choosing among alternative options in the remaining four elements or organizational design.
Strategy *drives the business model.* If you want to grow by 20% in new market segments then it should be reflected in your business model in terms of new Customer Segments, Channels, or Key Activities.

Structure

An organization's structure determines the type and number of job specialties needed as well as decides the number of departments and people in each department. It dictates the placement and movement of power and authority, and is the basis for forming departments. Organizational structures can be highly centralized or decentralized.
The characteristics of the business model determine the optimal organizational structure for its execution. Ask yourself, "What type of human capital will the model require? What activities will those people need to perform? How should the structure be formed to accommodate those needs?"

Processes

Organizational processes are defined by the flow of information and decisions. Those flows can happen vertically or horizontally. Vertical processes deal with allocating funds and talent via budgeting and planning. Horizontal processes are designed around workflow and are carried out through lateral relationships between departments.
Each business model demands different processes. Lean, highly automated processes should be inherent to a low-cost business model. Rigorous quality control processes might be required if your business model involves selling high value machines.

Rewards

Reward systems align the goals of employees with the goals of the organization. The system must use appropriate incentives to motivate workers to do the right things to fulfill the strategic direction of the organization. The reward system must be congruent with the other design areas to influence strategic direction.
Different business models require different reward systems. If your business model depends heavily on customer satisfaction then your reward system should reflect that commitment. If your model requires a direct sales force to acquire new customers then your reward system should be highly performance oriented.

People

An organization's human resource policies govern recruitment, promotion, rotation, training and development. Those policies are designed to produce the talent and build the capabilities necessary to execute the strategic direction of the organization. They must be in harmony with the other design areas.
Certain business models call for people with particular skills and mindsets. Some business models rely on entrepreneurial mechanisms for regularly bringing new products and services to market. In such cases human resource policies should be designed to attract and retain proactive, dependable, free-thinkers.