

3.2. Application of innovative business models

Setting up a business: documents needed, legal issues, preparing a business plan

3.2.1 Guide On How To Set Up Your Business Model

e-module 3: (social) entrepreneurship
Cooperative start-up implementation
February 2021



What is a business model?

Definition: A business model describes how an organization creates and delivers value. The Value here is used in its broadest sense and it is not only in terms of economy but also regarding any other value, such as social.

➤ **More specifically, a business model:**

- Describes how the business selects its customers.
- Identifies and differentiates its products and services.
- Defines the business's internal and external responsibilities.
- Outlines the distribution of the available resources.
- Specifies the means to be used by the business to become useful to its clients and to benefit from its profits.



Why is it important to have (innovative) business models? (1)

It has been observed, that many companies that were considered successful disappeared from the business map. The truth is that these disappearing companies did not attempt to go through the process of changing their business models. They did not manage to adapt their business models to the new market conditions and the economy.

A business needs two essential elements: **clear orientation** and **innovation**.



Why is it important to have (innovative) business models? (2)

CLEAR ORIENTATION

- A business needs to have a clear identity- at least in the beginning- and know exactly where it is heading.
- Describes the logic of how an organization will create, distribute, and acquire value, determining the viability of the organism.
- It focuses on coordinating internal and external processes so that it is possible to define the ways in which the organization interacts with its partners, distribution channels and customers.

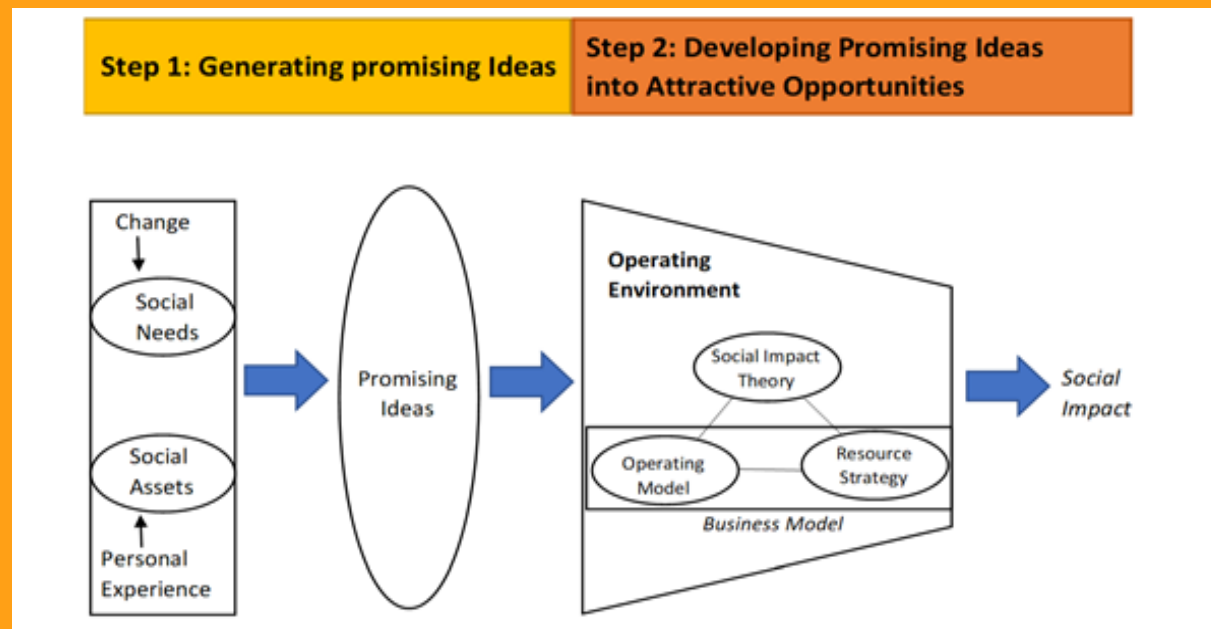
INNOVATION

- In order to succeed, businesses need to innovate.
- They will gain competitive advantage and most likely they will manage to survive.
- Formulate their business model so as to offer their value proposition to their customers in a different way.
- The comparative advantage of companies today and in the future will be based on the adoption of **innovative business models** rather than innovative products / services and / or processes.



Business models in Social (Cooperative) Entrepreneurship

- Social entrepreneurship is based on business techniques and approaches in order to solve social, cultural and environmental problems such as poverty eradication, improving living standards, supporting vulnerable populations, etc.
- One of the main objectives is to maintain viability and self-sufficiency by reinvesting the profits resulting from various operations of the social enterprise to fulfil the mission.



How to design a social business model? (1)

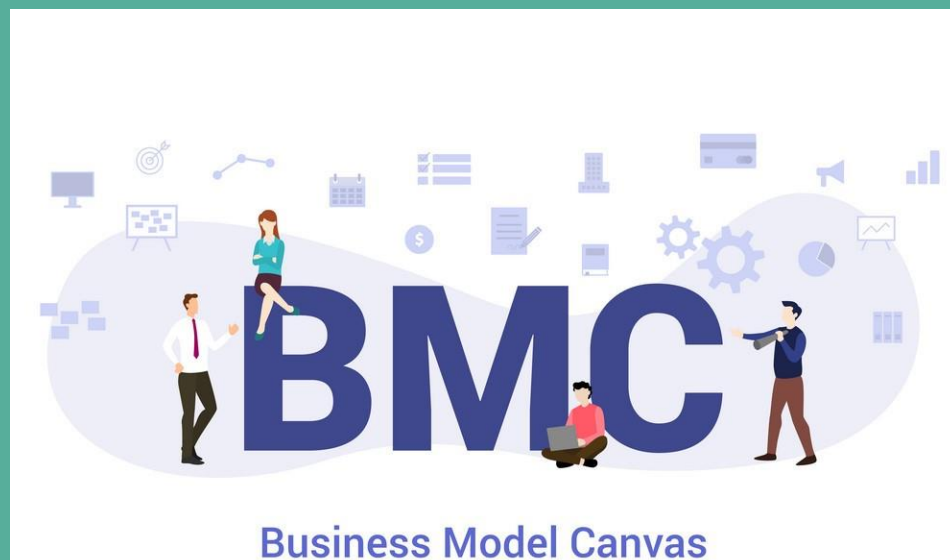


There are several tools you can use to design a business model:

❑ Business Model Canvas (BMC):

- Allows you to define all the different parameters that affect your business and/or are affected by it.
- It has been used by thousands of start-ups around the world to capture and articulate the basics of the business model.

However, in social entrepreneurship, the BMC fails to formulate the key motivating factor - its Social Purpose - which is so often at the heart of a social enterprise.



How to design a social business model? (2)



❑ Social Enterprise Canvas:

- It is a visual map of key stakeholders and value propositions that offers a specific design solution or design.
- It is the key to building a good business model, promoting the business plan and promoting investors to raise capital.
- Putting social purpose at the heart of the model focuses on what is really important from a social perspective.



BUSINESS MODEL CANVAS VS SOCIAL BUSINESS MODEL CANVAS



Business Model Canvas

Business Model Canvas				
Key partners	Key Activities	Value Proposition	Customer Relationships	Customer Segments
	Key Resources		Channels	
Cost structure		Revenue Streams		

Social Business Model Canvas

Social Business Model Canvas				
Key Resources	Key Activities	Type of Intervention	Segments	Value Proposition
				Social Value Proposition
Partners & Key stakeholders		Channels	Beneficiary	Impact Measures
			Customer	Customer Value Proposition
Cost structure		Surplus	Revenue	

SOCIAL BUSINESS MODEL CANVAS



- The Social Business Model Canvas is divided into 13 blocks. In comparison to the Business Model Canvas, it takes the following aspects into account:
- ☐ The component “Segments” is divided into “beneficiary” and “customer”. This supports the belief that beneficiaries often do not pay anything but are crucial for the business model.
 - ☐ The Value Proposition consists of the elements “Social Value Proposition”, “Customer Value Proposition” and “Impact Measures”, which define how you control your social impact.
 - ☐ The type of intervention describes the type of product that will deliver the value.
 - ☐ Besides partners, the canvas includes the key stakeholders that are / should be involved in your program.
 - ☐ The component “Surplus” describes where you plan to invest your profits (Social Innovation Lab, 2013).



How to Create a Social Business Model (1)

- ✓ In order to create an effective and sustainable social business model you need to follow these 6 steps:
- 1. Prepare the Social Enterprise Canvas (create many copies if possible), share it with your team and explain all its sections to them. Highlight the differences between the Social Canvas and a regular Business Canvas, especially regarding the additional segments as described above. There should be thorough explanation why all these segments are essential for this new type of Canvas and guide them on how to complete these blocks.
- 2. There are 3 different ways to start the process:
 - a. The idea: start by defining value proposition for a specific customer segment.
 - b. The potential / existing customers: start with the customer section and define what value proposition you provide / could deliver to them and how.
 - c. The resources: Start thinking about what key resources (skills, experiences, natural resources, financial resources, etc.) you and/or your partners have and, based on that, develop your offer for a specific group of customers.



How to Create a Social Business Model (2)



3. Complete all the subsections of the Value Proposition. To give explicit and targeted answers for all the subsections of Value Proposition with a Social aspect for this type of Canvas, you should set questions to yourself, such as “What motivates you in this social enterprise?” or “What do you hope to achieve in the short, medium and long term?” to explore and discover your professional goals and capabilities.
4. Work together or break into smaller groups to work on completing the other sections of the Canvas. If you do the latter, take time to share and discuss the results of each section with the wider group in order to exchange ideas and comments. All ideas recorded for every section of the Social Business Canvas must be prevailed by the common goals of the Enterprise and the Social aspect it has.
5. Write down any key questions or discussion points and place them in a separate area for later reference.
6. Finalize your canvas and try to have it always available. A more detailed business model might be necessary later and this Canvas could be a perfect starting point. (Qastharin, 2021).





60 minutes

What you
will need

- Printed form: pen/pencil, highlighters, and markers (optional).
- Digital form: device connected to the internet (pc, laptop, tablet etc.), document editing software (e.g. Microsoft Word)

Practical Activity

Instructions

Follow the link below and fill in the Canvas. Take some time to think and write down your ideas as clearly as you can. Be sure that your answers are feasible and can be applied in real life.

<https://bmttoolbox.net/tools/social-business-model-canvas/>

TIP

We recommend pens or ideally sharpies for writing and coloured pencils for creating notes on linkages between items on the canvas (but a simple pen or pencil will do fine)





TRAIN-CE-FOOD project

<https://trainecefood.si/en/home-english>

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