

Social Innovation

New Business Models

Bikash Dahal
Nov 1, 2022

Social Innovation

The schedule

- ~~Week 1: Definition and Concept of Social Innovation~~
- ~~Week 2: Theories and Frameworks of Social Innovation~~
- ~~Week 3: Types and field of Social Innovation~~
- ~~Week 4: Who is a Social Innovator?~~
- ~~Week 5: Design Thinking~~
- ~~Week 6: Designer's mindset~~

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The schedule

- Week 7/8: New Business Models
- Week 9: Integrating social into business models
- Week 10: Turning ideas into minimum viable product
- Week 11/ 12: Sustainability and Social Innovation
- Week 13: Network and capacity building
- Week 14: Supporting social Innovation
- Week 15/ 16: Good practices in Social Innovation

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Contents

- What is a Business Model
- Different types of Business Model
- Before, during and after the use of Business Model

Learning Objectives

- To understand the concept of Business Model
- To be able to integrate these model into practice
- To learn about the different types of Business Model
- To look at the tools used for Business Model

Concept

The term “business model” often appears to encompass everything from, among others, strategy, economic model, and revenue model. Although several papers have critically examined certain aspects of business models (Casadesus-Masanell and Ricart, 2010, Morris et al., 2005, Zott and Amit, 2008, Zott et al., 2011)

Concept

Understanding how business works and how value is created for different stakeholders has become the grail quest of management scholars in recent years. Millions of dollars were raised to fund flawed “business models” during the dot-com era (Shafer et al., 2005)

Business model’ is a term often used to describe the key components of a given business. It is particularly popular among e-businesses and within research on e-businesses (Timmers, 1998; Afuah & Tucci, 2001; Amit & Zott, 2001; Applegate, 2001; Cheng et al., 2001; Rayport & Jaworski, 2001; Weill & Vitale, 2001). Business models are even subject to patent law, for example, Amazon.com has a patent for *one-click purchase* (Rappa, 2002)

Concept

A business model is a conceptual tool containing a set of objects, concepts and their relationships with the objective to express the business logic of a specific firm. Therefore we must consider which concepts and relationships allow a simplified description and representation of what value is provided to customers, how this is done and with which financial consequences (Osterwalder, A., Pigneur, Y., & Tucci, C. , 2005).

A Business model is ...

- Articulates the value proposition (i.e., the value created for users by an offering based on technology);
- Identifies a market segment and specify the revenue generation mechanism (i.e., users to whom technology is useful and for what purpose);
- Defines the structure of the value chain required to create and distribute the offering and complementary assets needed to support position in the chain;
- Details the revenue mechanism(s) by which the firm will be paid for the offering;

A Business model is ...

- Estimates the cost structure and profit potential (given value proposition and value chain structure);
- Describes the position of the firm within the value network linking suppliers and customers (incl. identifying potential complementors and competitors); and
- Formulates the competitive strategy by which the innovating firm will gain and hold advantage over rivals.

Elements of winning business model

- Target the *average* consumer (rather than the *early adopters*) by emphasizing different product attributes to those that the pioneers focus on. In particular, instead of emphasizing the functionality of the product, emphasize low prices that help grow the market;
- Create alliances with key suppliers and producers of complementary goods, so as to control key inputs and the provision of complementary goods;
- Protect the market by exploiting first mover advantages

Elements of winning business model

- Support low prices by driving down costs. To do so, the winning firms build market share quickly so as to enjoy economies of scale and learning benefits. This can be achieved by creating bandwagon effects;
- Reduce customer risk through branding and communication. The winning firms help build as big a consensus as possible across consumers to broaden the initial installed base and widen the ultimate market;
- Build the distribution that can serve the mass market.

C. Markides, P. Geroski Fast Second: How Smart Companies Bypass Radical Innovation to Enter and Dominate New Markets Jossey-Bass, San Francisco (2005)

Components of Business model

- Everything it takes to make something: design, raw materials, manufacturing, labor, and so on.
- Everything it takes to sell that thing: marketing, distribution, delivering a service, and processing the sale.
- How and what the customer pays: pricing strategy, payment methods, payment timing, and so on.

Advantages of Business model

- A good business models gives the company a competitive edge in the industry.
- A strong business model provides the company good reputation in the market place encouraging the investors to remain invested in the company.
- Making the business model strong leads to an ongoing business profit leading to increase in cash reserve and new investments.
- Proven business model brings a financial stability in the organization.

Disadvantages of Business model

- Once a business model is created, then it restricts to implement new ideas for the product.
- Creating a business model is time consuming as lot of factors needs to be considered.
- There might be a chance that business model may turn out to be inaccurate.

Takeaways from this session

- Business models are important to understand the business itself
- The business models lead to recognition and awareness
- Every business model is different in one way or another
- There are tools we can use to identify our business model

Our learning for next session

- Business models
 - Different business models tools
 - Aspects of business models
 - Using business models

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Thank You!