

Social Innovation

Unit 8: New Business Models

This unit is focused on further understanding about new business models. We will look at the tools used for business model and the several components of these business models as well.

The objectives of this unit is

- To learn about the various business model tools
- To look at the components of business model tools
- To be able to integrate these concepts into practice

We will specifically focus on Opportunity Analysis Canvas (OAC), Business Model Canvas (BMC) and Lean Canvas Model.

To begin with opportunity analysis canvas is a tool created by Dr. James V. Green. He further argues that with the use of OAC anyone can be a successful entrepreneur or a corporate innovator. It is a nine step experience and is classified broadly as thinking entrepreneurially, seeing entrepreneurially and acting entrepreneurially.

Within the broad classification of thinking entrepreneurially resides three steps namely entrepreneurial mindset, entrepreneurial motivation and entrepreneurial behavior. As a part of seeing entrepreneurially lies industry condition, industry status, macroeconomic change and competition. The final broad classification acting entrepreneurially has value innovation and opportunity identification as the components.

According to Green, thinking is influenced by individual mindsets, motivations and behaviors. Then after the focus is on the big picture. It leads a thinker to recognize and understand the economic forces impacting the idea as well as the industry. It also helps recognize the present competition and competition in the future. Then after it is the time to act and opportunity analysis canvas helps be prepared to act (Green. J.V., 2015).

The next tool is business model canvas. This is a tool proposed by Alexander Osterwalder in 2005. This canvas was a part of Osterwalder's thesis initially. It has nine building blocks. The nine building blocks are key activities, key resources, partner network which looks into the infrastructural aspect of a business, value proposition that is also known as offering, customer segments, channels and customer relationships that looks into the aspect of customers and cost structure and revenue streams which form a part of finance (Osterwalder, A., Pigneur, Y., Oliveira, M. A. Y., & Ferreira, J. J. P., 2011).

The business model canvas begins with the most important activities in executing a company's value proposition. Then after we look into the resources that are important to create value for the customer. This is necessary to sustain and support the business. Some of the different resources to consider are people, finances, physical resources and intellectual resources. Partner network helps understand the relationship required to conduct the business. It also helps in focusing on the core aspect and leaving the rest to partner network.

Osterwalder states that a company's value proposition is the distinguishing factor when compared to competitors. The values can be something new, better performance, customization option, design, price competitiveness and as such. Normally the value can be measured in terms of quantity or quality.

Then after we move on to segmentation of the customer based of needs and attributes. Some forms of customer segments involves price penetration or price differentiation. It is also important to looks at the channels to reach out to clients. The channels used needs to be cost effective, efficient and quick. It will differ in relation to the value proposition the business has.

It is equally important to look as the finances of the business as well. The final two components of business model helps us with the same. The cost structure makes us understand the cost incurred to begin, run and sustain the business. Some of the forms of cost are fixed cost, variable cost, economies of scale and economies of scope.

Since the business incurs cost it is also important to understand the sources of revenue to run the business on a day to day basis and to sustain it in the long run. The generation of revenue in a business can involve selling assets, charging a membership fee, subscription offers, licensing, franchising and as such.

Then there is lean canvas model which is based on business model canvas. This canvas as adapted by Ash Maurya. It also has nine building blocks. They are: problems, customer segments, unique value proposition, solution, channels, revenue streams, cost structure, key metrics and unfair advantage (Link. P., 2016).

The lean canvas model starts with identifying a problem that needs to be solved. It is recommended to have one to three high priority problems that we think our customers are facing. This is because without a problem to solve you do not have a product or service to offer. Then comes the customer segment. There is a certain link between the problem and the customer segment. Similar to business model canvas unique value proposition is what you intend to deliver to customers. This is also where as a start up you try to show the reason you are different from your competitors and the reason our customers should try or maintain loyalty (Moreira, M. E., 2017).

After having the unique value proposition, it is time to share the solution. The lean canvas model believes in a continual build - measure - learn cycle. Further, we look at the channels to use for the purpose of our start up. Then after we focus on the sources of revenue and the cost structure. After completion of our focus on revenue and cost structure we move to looking at key metrics and unfair advantage.

It is important to have a benchmark. This helps in monitoring performance and staying on track. Key metrics is where you mention this. Then there is unfair advantage. It is one of the hardest block to fill. Unfair advantage means anything that can provide advantage when in the market in terms of staying ahead of the competition, creating a niche market, insider information and as such.

The lean canvas model is popular amongst start ups and entrepreneurs. The key objective of lean canvas is to eliminate or minimize waste, i.e. lessen the time required, lessen the process, minimize inventory and such kind.

The creator of lean canvas Ash Maurya suggests to try as many iterations as possible of the first canvas and test each one. The purpose of this is also to others see and help build the problem solution. This effectively helps in creating collaboration, and cooperation.

It is necessary to understand that there is no such thing as a perfect tool. This is the reason it is highly recommended to use more than one tool. It is also important to understand that in a fast paced world to go back and look into the business model time and again.

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