

INNOTOOL, INSTRUMENT FOR SME MANAGERS TO OVERCOME THE CHALLENGE OF BUILDING SUCCESSFUL BUSINESS MODELS

Veselina Jecheva

Abstract: The purpose of the publication is to describe the main modules for the InnoModel tool, their function, links and a way of interpreting the analysis results. InnoModel is a web-based tool, part of InnoTools tools designed for SME managers and facing the challenge of building a successful business model. It is a graphical representation of a typical business model, containing 9 building blocks. These elements represent the values of an organization and their interconnections. InnoModel can be used as a strategy tool for the development of a new SME or for existing business analysis and innovation potential improvement. Because of InnoModel visual interface, all of the SME's can have clear visual representation of all elements of importance which could be easily considered by managers. By looking at the InnoModel module, each organization can adjust its value proposition and structurally improve its strategy.

Key words: SME, Canvas, business model, Web 2.0 tool

INNOTOOL, ИНСТРУМЕНТ, ПРЕДНАЗНАЧЕН ЗА МЕНИДЖЪРИТЕ НА МСП ЗА ПРЕОДОЛЯВАНЕ НА ПРЕДИЗВИКАТЕЛСТВОТО - ИЗГРАЖДАНЕ НА УСПЕШЕН БИЗНЕС МОДЕЛ

Веслина Жечева

Abstract: Целта на публикацията е да опише основните модули за инструмента InnoModel, тяхната значимост, връзки и начин за интерпретиране на резултатите от анализа. InnoModel е уеб-базиран инструмент, част от инструментите на InnoTools, предназначени за мениджъри на МСП, които са изправени пред предизвикателството да създадат успешен бизнес модел. InnoModel използва графично представяне на основните бизнес модели, проектирани като системни модули. Тези елементи представляват ценностите на една организация и техните взаимовръзки. InnoModel може да се използва като стратегически инструмент за развитие на ново МСП или за съществуващ бизнес анализ и потенциално подобрене. Поради визуалния интерфейс на InnoModel, всички МСП могат да имат ясен поглед и могат лесно да бъдат разгледани от мениджърите. Разглеждайки модула InoModel, организацията може да коригира стойността си и да подобри структурно стратегията си.

Ключови думи: МСП, Canvas, бизнес, модел, инструмент, успешен

Introduction

This study was done in conjunction with implementation of the contract BMP1/1.2/2370/2017, for the project “Innovations Platform and Tools for increasing the innovation capacity of SMEs in the Balkan Mediterranean Area (Innopatform)”, financed by the EU transnational cooperation programme “BalkanMediterranean 2014-2020”. The work methodology on business model innovations which is a subject of the paper contributes towards the realization of the project’s main and specific objectives, for example – to develop tools and guidelines for strengthening SMEs capacities to introduce product and process innovations.

It is difficult to define a business model. We did research on our (in Burgas Free University) previous projects [1]. We've reviewed some previous studies, which give us an idea of the links between the problems that exist in the changing globalized market and between the good education and the successful business [2][3][4]. We have analyzed the results achieved in the practical application of some of our ideas in practice [6][7][8]. We have combined this with a worldwide practice on this subject. [9], [10], [11], [12], [13], [14]. The proposed in [15] method coincides most closely with our views on how to make the main modules for the InnoModel tool. The most frequent definition on the same comes from the definition of Osterwalder & Pigneur, ([16], p. 14), "*A business model describes the rationale of how an organization creates, delivers, and captures value.*" It is the definition used by EU researchers and policy makers (ECC 2014), and a definition which will be used in the concerned methodology. As a result, researchers ([17], [18], [19]), recommend a conceptualisation of the business model construct with three core definitional elements: Value creation, Business system, and Value capture. This approach defines the content elements of the business models.

Literature provides many operational frameworks for measuring business model innovation. Not all however, are applicable to the purpose of the project. The conceptual model needs to enable collection of data of interest in identifying the business model innovations in SMEs in the Balkan Mediterranean area; however, at the same time it needs to enable us to learn more on the one-dimensional innovation types of SMEs as are: product, process, organisational and marketing innovations.

One of the models was chosen as the basis of our development. It is The Business Model Canvas, proposed by Alexander Osterwalder based on his earlier book: Business Model Ontology ([20]).

The Business Model Canvas is a visual chart documenting key aspects of a new or existing business. It provides an organizational blueprint for further planning and action. The canvas collects information under nine areas critical to an organization or product's success – addressing value proposition, customers, infrastructure, and finances.

The resulting canvas is a single-page business plan that represents how an organization creates and delivers value to its customers – or how it could do in future. Canvas develop a holistic view of the core elements that drive the business, streamline planning, align objectives, structures, and processes. Canvas facilitate conversations about an organization's strategy, create consistency of planning terminology across the entire organization, enable better collaboration across departments and sites through a shared understanding of how the business operates and provide a foundation for execution of strategy, prioritization of resources, and effective action planning.

InnoModel segments basic structure and functions

The InnoModel tool comprises nine basic building blocks, used for describing the business model various aspects (fig. 1). Its purpose is to SMEs to question themselves in respect of their business with regard to the topics and to post the answers into the correlating block of the proposed canvas.

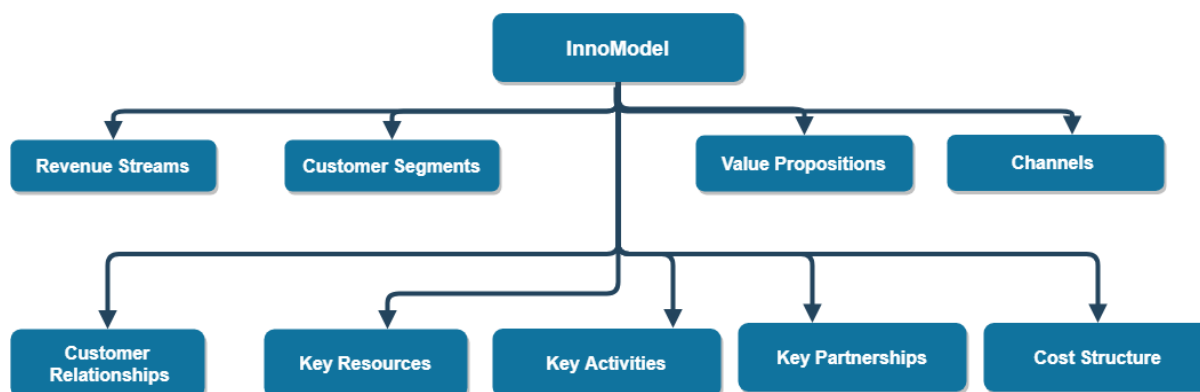


Figure 1.

The InnoModel elements:

1. Customer Segments - An organization serves one or several Customer Segments.
2. Value Propositions - It seeks to solve customer problems and satisfy customer needs with value propositions.
3. Channels - Value propositions are delivered to customers through communication, distribution, and sales Channels.
4. Customer Relationships - Customer relationships are established and maintained with each Customer Segment.
5. Revenue Streams - Revenue streams result from value propositions successfully ordered to customers.
6. Key Resources - the assets required to oiler and deliver the previously described elements.
7. Key Activities - by performing a number of Key' Activities.
8. Key Partnerships - Some activities are outsourced and some resources are acquired outside the enterprise.
9. Cost Structure - The business model elements result in the cost structure.

How to understand and use the chart

Each circle represents an InnoModel module, corresponding to one of the business model building blocks. In each module user will be able to add short description, select among options, as well as adding numerical data in tables indicating the estimated distribution values of the selected options.

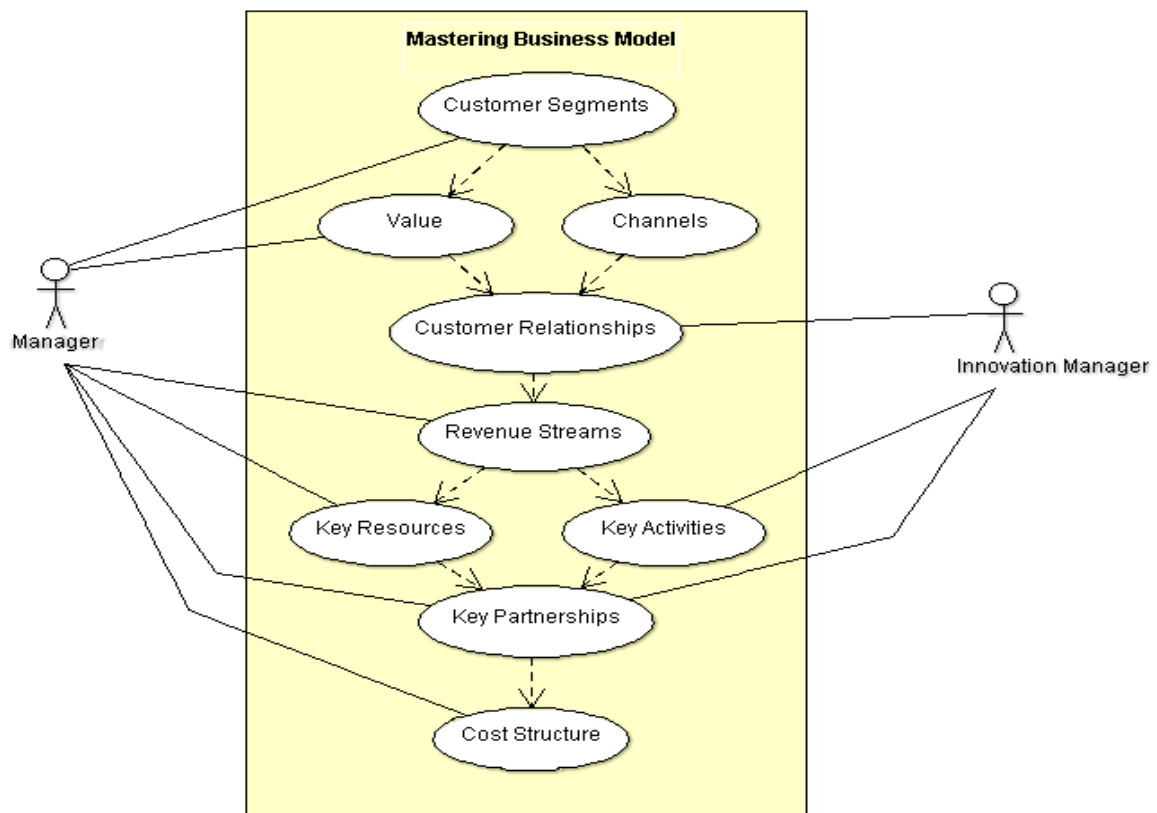


Figure 2. InnoModel use-case diagram

To support the user input in descriptions a set of questions is included. It is possible to interconnect InnoModel with other tools that are developed to assist in this block's design. The added tools for Customer Segments can be Customer Personas, Empathy Maps; for Value Proposition - Validation Board, for Customer Relationships and Channels - Customer Journey Map, Story Boards, for Revenue Streams - Revenue Stream Maps, for Key Activities, Resources, Partners and Cost Structure - BMC, First Principle Thinking, Value Stream Mapping, Value Chain Analysis, Process Mapping, Project & Resource Planning.

Key partners - For both start-up organizations and existing organizations it may be important to create alliances with partners. For instance, when fighting the competition and combining knowledge and specialization.

Essential information will be acquired by knowing in advance which partners may constitute a valuable relationship.

Key activities - By having a good knowledge of the core activities of a company, a good understanding of the value proposition of the organization will be obtained. It is not just about production, but also about a problem-solving approach, networking and the quality of the product and/or service. When the organization knows what the added value for the customer is, a better relationship may develop with existing customers, which may be helpful in the canvassing of new customers therefore, and which makes it easier to keep the competition at bay.

Key resources - Resources are means that a company needs to perform. They can be categorized as physical, intellectual, financial or human resources. Physical resources may include assets such as business equipment. Intellectual resources include among other things knowledge, brands and patents. The financial resources are related to funds flow and sources of income and human resources comprises the staffing aspect.

Value propositions - The value proposition is about the core of a company's right to exist; it meets the customer's need.

How does an organization distinguish itself from the competition? This distinction focuses on quantity such as price, service, speed and delivery conditions on the one hand, and on the other hand it also focuses on quality including design, brand status and customer experience and satisfaction.

Customer relationships - It is essential to interact with customers. The broader the customer base the more important it is to divide your customers into different target groups. Each customer group has specific needs. By anticipating the customer needs, the organization invests in different customers. A good service will ensure good and stable customer relationships that will be ensured in the future.

Channels - An organization deals with communications, distribution and sales channels. It is not just about customer contact and the way in which an organization communicates with their customers. The purchase location and the delivery of the product and/or services provided are decisive elements in this. Channels to customers have five different stages: awareness of the product, purchase, delivery, evaluation& satisfaction and after sales. In order to make good use of the channels and to reach as many customers as possible, it is advisable to combine off-line (shops) and online (web shops) channels.

Customer segments - As organizations often provide services to more than one customer group, it is sensible to divide them into customer segments. By identifying the specific needs and requirements of each group and which value they attach to this, products and services can be better geared towards these needs and requirements. This will lead to greater customer satisfaction, which in turn will contribute to a good value proposition.

Cost structure - By gaining an insight into cost structure, an organization will know what the minimum turnover must be to make a profit. The cost structure considers economies of scale, constant and variable costs and profit advantages. When it is obvious that more investments must be made than the organization is generating in revenue, the costs will have to be adjusted. Often an organization will opt for deleting a number of key resources.

Revenue streams - In addition to the cost structure, the revenue streams will provide a clear insight into the revenue model of an organization. For example, how many customers does an organization need on an annual basis to generate a profit? How much revenue does it need to break even? The revenue streams are cost drivers. In addition to the revenue from the sale of goods, subscription fees, lease income, licensing, sponsoring and advertising may also be an option.

The power of brainstorming sessions

All members of the management team can make excellent contributions to the business model canvas. By fleshing out the business model canvas on large sheet of paper, the members can enjoy brainstorming sessions with each other, think about the categories and voice their opinions. This will create a good and objective image of the organization and any new ideas can be discussed immediately and possibly be developed concretely.

Conclusions

Describing of the main modules for the InnoModel tool, their significance, links and a way of interpreting the results of the analysis have key benefits. InnoModel requires much less documentation than a traditional business plan. Because all the information is on a single page, updates and modifications are far easier to make. The simplified layout provides a clear picture of the organization for new employees, business partners, and potential investors. This study will be used on the next stage of the project, when a web-based module that implements the functionalities of InnoModel will be developed, as well as during the piloting phase.

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