

MODULE 5: SUSTAINABLE BUSINESS MODEL INNOVATION

Overcoming the “dominant logics”

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Aalto University, School of Business,
Dept. of Management Studies

TODAY'S SCHEDULE

- **What is innovation**
- How to never run out of concrete ideas
- Course summary
- Preparing for Thursday

DEFINING INNOVATION

The process of translating an idea or invention into a good or service that creates value or for which customers will pay.

To be called an innovation, an idea must be replicable at an economical cost and must satisfy a specific need.

(Schumpeter, 1942)

TYPES OF INNOVATION

PRODUCT/SERVICE INNOVATION

- The creation and introduction of a object (good or service) that is either new, or an improved version of previous object.



HEADPHONES

Headphones evolved from bulky over-ear speakers to nearly invisible buds, as the technology focused on music.



INCREMENTAL

- **The previous examples of improvements in products are considered as innovations, yet incremental.**
- **Why?**
 - **They do not essentially change the way we get the "job done".**

PROCESS INNOVATION

- Process innovation means the implementation of a new or significantly improved production or delivery method. These might be related to significant changes in techniques, equipment or software.



- In business models these types of innovations deal with the “value constellation”



RADICAL, BUT DISRUPTIVE?

- **The previous examples of process innovation are considered as radical, as the change the way in which we get the “jobs done”.**
- **E.g. Instead of going to movie rental, we can just ”press the button”. Remember, it was not long ago that we went to Blockbusters, Makuuni or Filmtown 😊.**
- **Now we mostly subscribe and online order, also the candy 😊.**

THE DIFFERENCE BETWEEN RADICAL & DISRUPTIVE

- **“While disruptive innovation is inextricably linked to variations of business models and low-end market encroachment, radical innovation is reliant on organizational capabilities and individual and organizational human capital”**
- Not all technological change is “disruptive.”

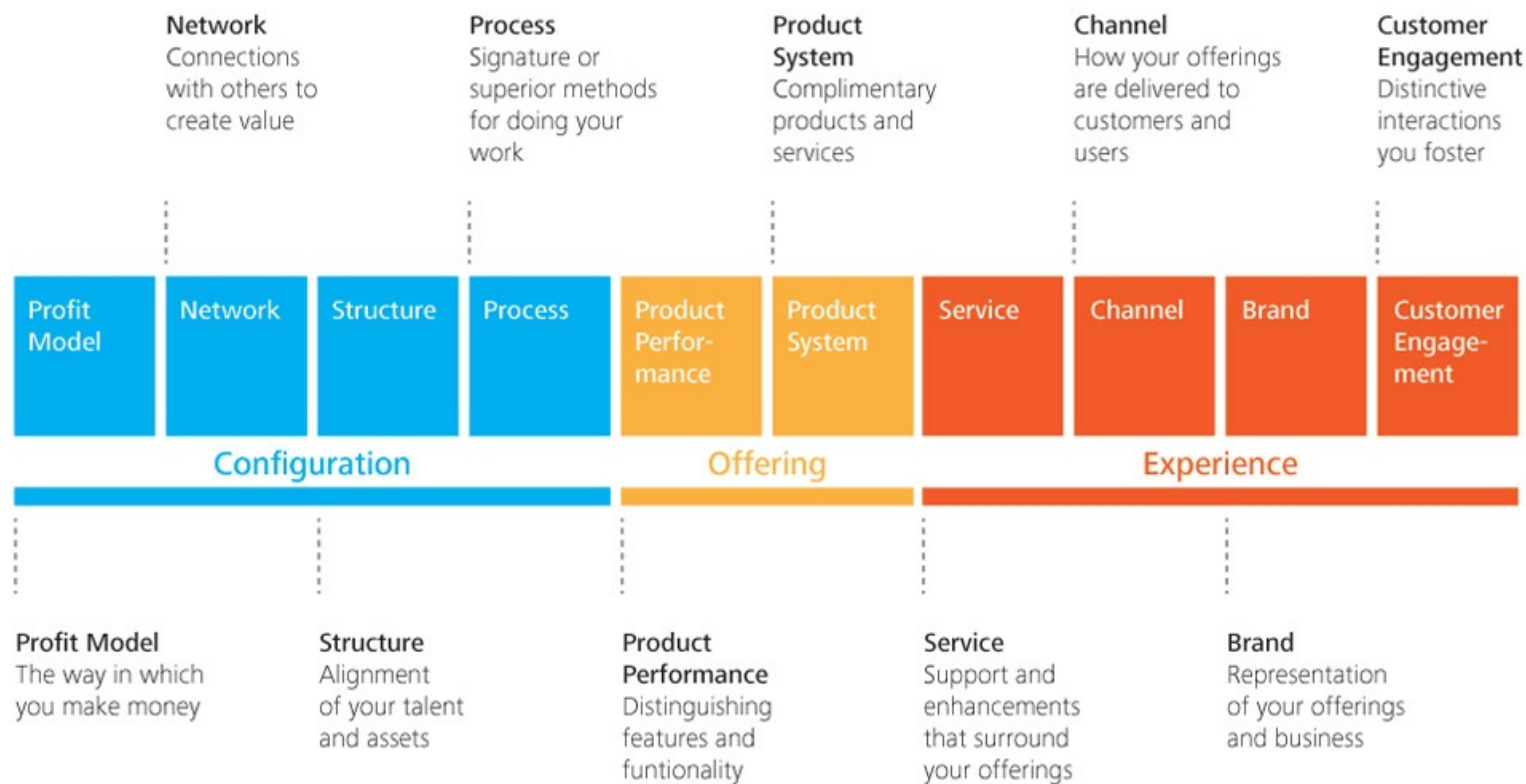
DISRUPTIVE INNOVATION

- The topic disruptive innovation is often mentioned alongside the topic business model.
- Disruptive innovation research describes a process in which new entrants challenge incumbent firms, often despite inferior resources.
- Two possible ways:
 1. Entrants may target over-looked segments of the market with a product considered inferior by incumbent's most-demanding customers and later move up-market as their product improves.
 2. Entrants may create markets where no market exists and turn non-consumers into consumers.

RESEARCH HAS SHOWN THAT DISRUPTION REQUIRES BOTH, TECHNOLOGY AND BUSINESS MODEL INNOVATION

INNOVATION IN BUSINESS MODELS

...NOT JUST PROFIT MODEL INNOVATION!



THREE AREAS TO INNOVATE IN

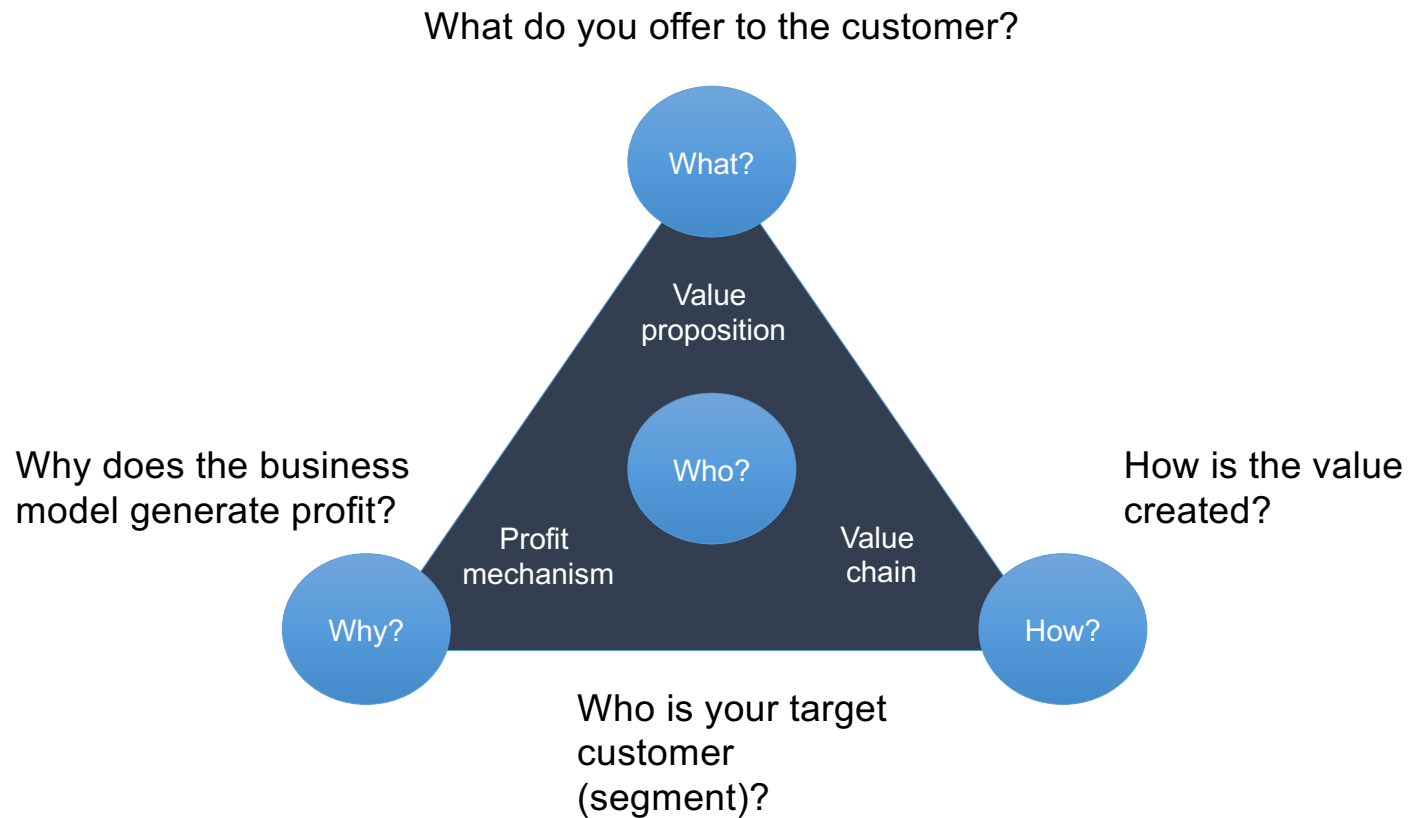
CONTENT -> adding novel activities

STRUCTURE -> linking activities in novel ways

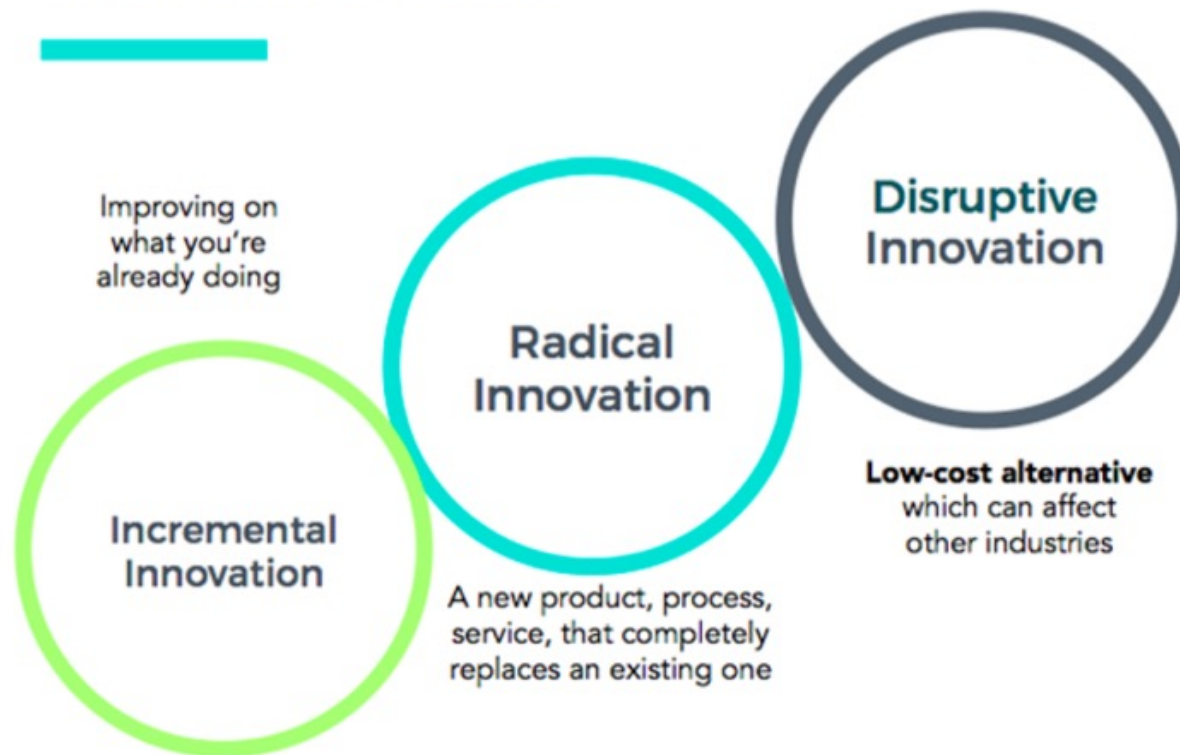
GOVERNANCE -> changing one or more parties performing activity

CUSTOMER → turning non users to customers

DIFFERENT OPPORTUNITIES TO INNOVATE



Level of Innovation



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- What is innovation
- **How to never run out of concrete ideas**
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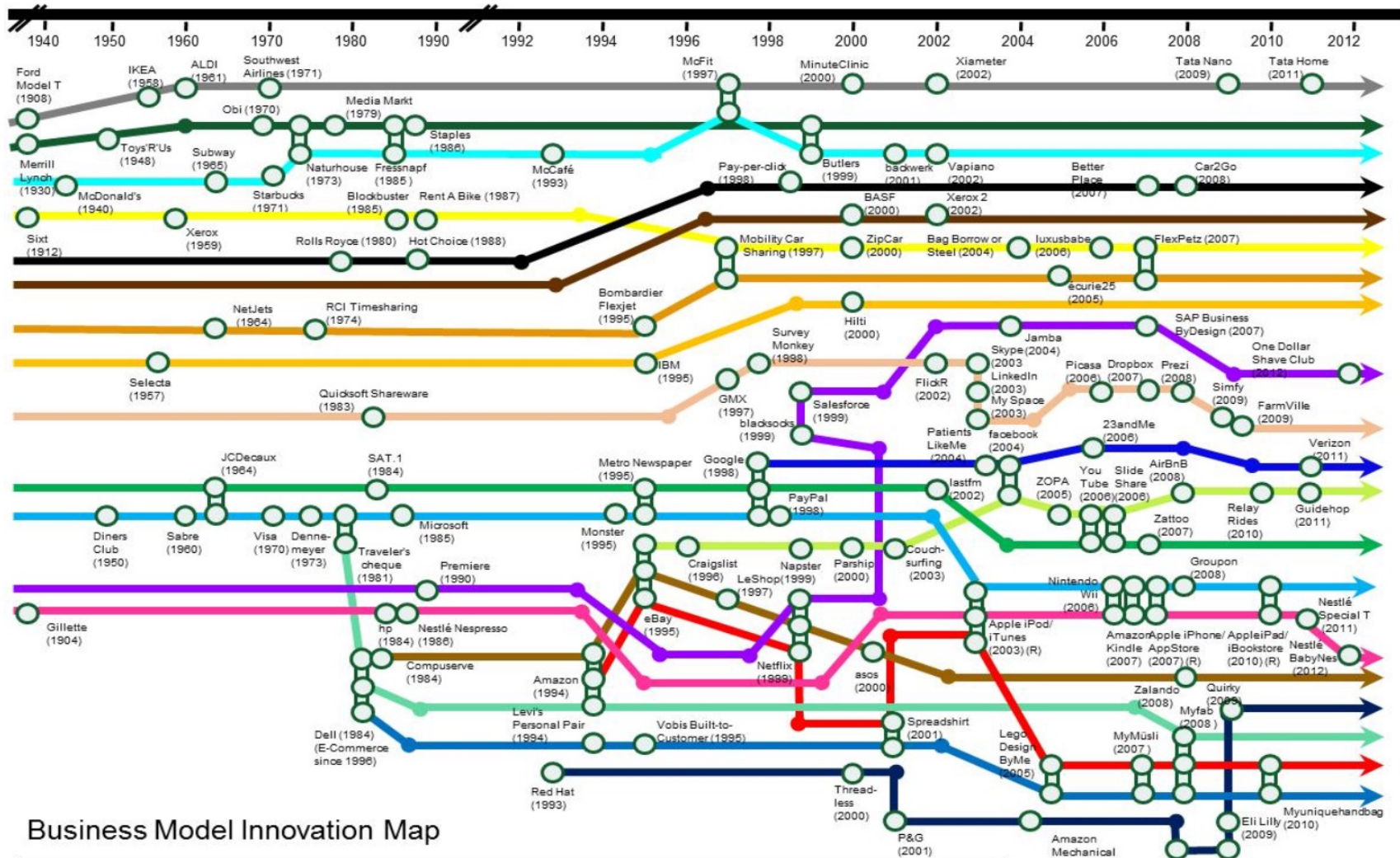
**IN BUSINESS MODEL DOMAIN, MANY COMPANIES
INNOVATE BY ABSTRACTING AND RECOMBINING
EXISTING INNOVATIONS**

**For BMI as learning process see e.g. McDonald & Eisenhardt
(2019) or Doz & Kosonen (2010)**

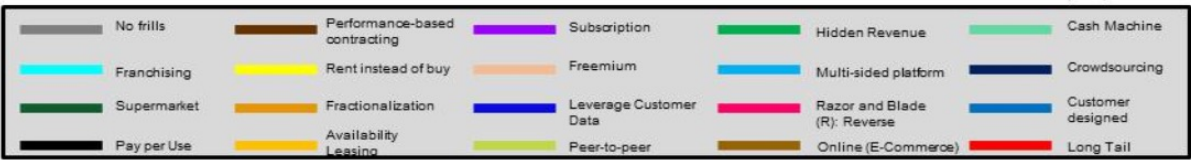
The main challenge of business model innovation is to overcome the dominant industry logic.

Prof. Dr. Karolin Frankenberger

90 % of all business model innovations are recombination. Knowing the past helps in creating the future.



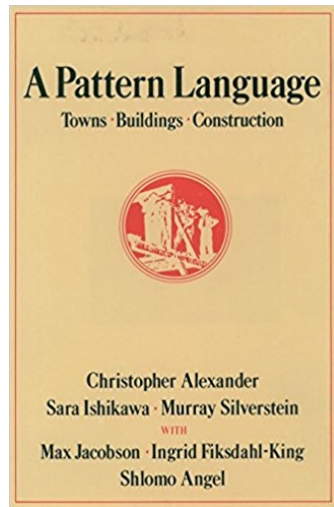
Business Model Innovation Map



Source: Gassmann, Frankenberger, Csik (2012)

INNOVATING WITH DESIGN PATTERNS

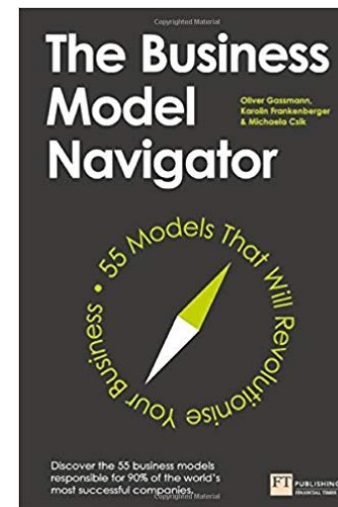
General repeatable solution to a commonly occurring problem in design.
Not a finished design, but a description/template.



1970s



1990s



2010s

55+ Pattern Cards

St. Gallen
Business Model
Navigator™



Institute of Technology Management
 University of St. Gallen

BMI  Lab

1

priced competitively, thus extras that drive the end, the customer is initially assumed, from a variable offer, it to their specific needs.

Ryanair
The basic fares are offered at very low rates. Additional services are offered at an extra charge, which significantly raises the prices.

3

martial art in which the user is used against him. Aikido allows a company to face competitors or concepts opposed.

Nintendo Wii
With its technically inferior Wii products, the video games company attracted a broader customer range than its competitors, because it better understood the needs of noncustomers (e.g. mothers).

2

Affiliation

The focus lies on supporting others to sell products and directly benefiting from successful transactions. Affiliates usually profit from some kind of pay-per-sale or pay-per-display compensation. The company, on the other side, is able to gain access to a more diverse potential customer base, without additional active sales or marketing efforts.

Learn more: bit.ly/learnmore

Uber
The mobility platform offers free rides or monetary compensation to members for each referred sign-up to the service.

Amazon Affiliate Program
Online users are able to place links to Amazon products, and earn advertising fees from qualifying purchases.

4

Auction

Auctioning means selling a product or service to the highest bidder. The final price is achieved when a particular end time of the auction is reached or when no higher offers are received. This allows the company to sell to those customers who are willing to pay the highest price. The customer benefits from the opportunity to influence the price of a product and pay its value.

Learn more: bit.ly/learnmore

Ebay
The biggest online auction site enables people and businesses to sell a wide variety of goods and services worldwide, on which interested buyers are able to bid.

Google AdWords
Each time an ad is eligible to appear in search results, it goes through an ad auction, which determines if it will be shown, and at which position on the page.

5

Barter

Barter is a method of exchange in which goods are given away to customers without the transaction of actual money. In return, they provide something of value to the sponsoring organization. The exchange does not have to show any direct connection and is valued differently by each party.

Learn more: bit.ly/learnmore

Sponsoring
The application of barter is essential for sponsoring activities, e.g. in sports, where corporations supply teams with equipment in return for a chance to market their brand.

Miles & More (Lufthansa)
Passengers collect miles by purchasing flight tickets, which they can exchange for rewards such as upgrades or other benefits.

7

Cross selling

In this model, services or products from a formerly excluded branch are added to the offerings, thus leveraging existing key skills and resources. In retail especially, companies can easily provide additional products and offerings that are not linked to the main branch on which they were previously focused. Thus, additional revenue can be generated with relatively few changes to the existing infrastructure and assets, since more potential customer needs are met.

Learn more: bit.ly/learnmore

Shell Bistro
The oil and gas giant uses its network of petrol stations to sell a wide range of goods unrelated to the oil business, such as groceries and other everyday items.

IKEA
By offering a wide variety of additional services and products, such as interior equipment, home decoration, in-store restaurants, and car rental services, the company significantly increases its profits.

6

Cash machine

In the cash machine concept, the customer pays upfront for the products sold to the customer before the company is able to cover the associated expenses. This results in increased liquidity which can be used to amortize debt or to fund investments in other areas.

Learn more: bit.ly/learnmore

Paypal
The online provider performs payment processing for commercial and private vendors, receives an upfront fee for payments, and earns interest on users' funds.

Dell
The company's build-to-order strategy enables a negative cash conversion cycle, because suppliers are paid after customers receive and pay for their order.

8

Crowdfunding

A product, project or entire start-up is financed by a crowd of investors who wish to support the underlying idea, typically via the Internet. If a critical mass is achieved, the idea will be realized and investors receive special benefits, usually proportionate to the amount of money they provided.

Learn more: bit.ly/learnmore

Oculus
Oculus used Kickstarter to fund manufacturing and marketing operations of its Oculus Rift virtual reality headset for video games, raising close to USD 1.5 million from approximately 2,000 backers. The firm committed to rewarding its backers with headsets distributed before the pre-order phase.

General Electric Appliances
GE's First Build launched the "Opal Nugget Ice Maker" on crowdfunding platform Indiegogo, successfully raising close to USD 2 million and reaching more than 6,000 new customers through crowdfunding.

9

Crowdsourcing

The solution of a task or problem is adopted by an anonymous crowd, typically via the Internet. Contributors receive a small reward or have the chance to win a prize if their solution is chosen for production or sale. Customer interaction and inclusion can foster a positive relationship with a company, and subsequently increase sales.

Learn more: bit.ly/learnmore

Wikipedia
The online encyclopedia is based on free usage, and gives everyone the chance to edit articles.

Hyperloop Pod Competition (SpaceX)
Sponsored by SpaceX, the globally open prize competition offers participating teams the chance to design and possibly build a small-scale prototype transport vehicle.

11

Digitalization

This pattern relies on the ability to turn existing products or services into digital variants, thus offering advantages over tangible products, e.g., easier and faster distribution. Ideally, the digitalization of a product or service is realized without harnessing the value proposition which is offered to the customer.

Learn more: bit.ly/learnmore

Hotmail
Hotmail was one of the first to provide free electronic mail as an alternative to conventional letters. Users can access their email via a web browser. Emails can be composed, stored, and sent within the user interface.

Amazon Kindle
Amazon Kindle devices enable users to browse, buy, download, and read e-books, newspapers, and magazines via wireless connection to the Kindle Store.

10

Customer loyalty

Customers and their loyalty are retained by providing them value beyond the actual product or service itself, i.e. through incentive-based programs. The goal is to increase loyalty by creating an emotional relationship or simply rewarding it with special offers. Customers are voluntarily bound to the company, which protects future revenue.

Learn more: bit.ly/learnmore

Amazon Prime
For a fixed yearly fee, Amazon Prime users receive extra benefits, such as free shipping. Although they take losses from this program, they increase the frequency of transactions by Prime members at the same time.

Delta
The "Frequent Flyer Program" offers reward miles for flying frequently with Delta, which can be used to purchase future flights with the airline.

12

Direct selling

Direct selling is where a company's products are not sold through intermediary channels, but are available directly from the manufacturer or service provider. This way, the company skips the retail margin and any additional costs associated with the intermediaries. These savings can be forwarded to the customer while a standardized sales experience can be established. Additionally, the close contact can intensify the relationship with the customer base.

Learn more: bit.ly/learnmore

Nestle Nespresso Club
The online "Nespresso Club," exclusive retail boutiques, and flagship stores give Nespresso direct customer contact and an exclusive brand image.

Dell
The company sells computers directly to businesses and end users, reducing costs by cutting out the "middle man."

13

E-Commerce

Traditional products or services are delivered through online channels only, thus removing costs associated with running a physical branch infrastructure. Customers benefit from higher availability and convenience, while the company is able to integrate its sales and distribution with other internal processes.

Learn more: bit.ly/learnmore

Alibaba
The world's largest online business-to-business trading platform offers businesses of all sizes an online marketplace and payment system.

Amazon
The world's largest online retailer uses the e-commerce model to establish integrated ordering and distribution systems, as well as an online platform for other retailers.

15

Flatrate

In this model, a single fixed fee for a product or service is charged, regardless of actual usage or time restrictions of the consumption. The user benefits from a simple cost structure while the company benefits from a constant revenue stream.

Learn more: bit.ly/learnmore

Vodafone
Like other telecommunication service providers, Vodafone's flat rate model provides customers with unlimited consumption and full control over the costs.

Netflix
For a monthly fee, customers gain unlimited access to a large selection of movies and TV shows.

Uber = Peer to peer + Experience selling + Revenue sharing

#37 The Peer to Peer Pattern

37 | Peer-to-peer

EBAY
NAPSTER
COUCHSURFING

This model is based on a cooperation that specialises in mediating between individuals belonging to an homogeneous group. It is often abbreviated as P2P. The company offers a meeting point, i.e. an online database and communication service that connects these individuals (these could include offering personal objects for rent, providing certain products or services, or the sharing of information and experiences).



HOW UBER DOES IT: Uber provides an online platform and the necessary tools for car owners to offer rides to other users of the app

www.bmi-lab.ch



#14 The Experience Selling Pattern

14 | Experience selling

STARBUCKS
SWATCH
RED BULL

The value of a product or service is increased with the customer experience offered with it. This opens the door for higher customer demand and commensurate increase in prices charged. This means that the customer experience must be adapted accordingly, i.e. by attuning promotion, shop etc.



HOW UBER DOES IT: Uber offers a cab rider a whole new experience: convenient, cashless and with additional services like customer service, ratings and direct connection to Spotify. Furthermore, the user can choose between different levels of service – from Uber Pop to Uber X and Uber Black.

www.bmi-lab.ch

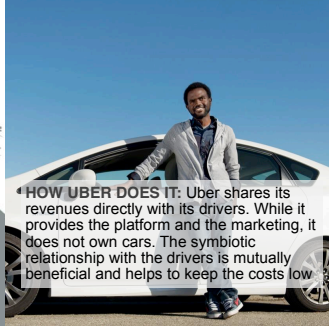


#41 The Revenue Sharing Pattern

41 | Revenue sharing

CDNOW
GROUPON
iPHONE/APPSTORE
APPLE

Revenue sharing refers to firms' practice of sharing revenues with their stakeholders, such as complementors or even rivals. Thus, in this business model, advantageous properties are merged to create symbiotic effects in which additional profits are shared with partners participating in the extended value creation. One party is able to obtain a share of revenue from another that benefits from increased value for its customer base.



HOW UBER DOES IT: Uber shares its revenues directly with its drivers. While it provides the platform and the marketing, it does not own cars. The symbiotic relationship with the drivers is mutually beneficial and helps to keep the costs low.

www.bmi-lab.ch



EXAMPLES

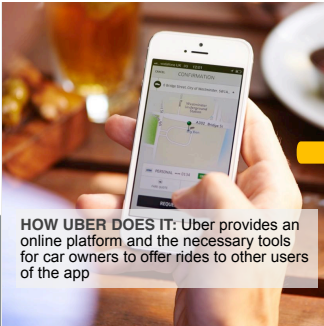
Uber = Peer to peer + Experience selling + Revenue sharing

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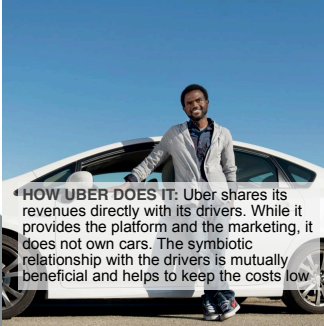
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Hilti = Direct selling + Guaranteed availability + Lock-in

#12 Direct Selling

12 | Direct selling

TUPPERWARE
NESTLÉ NESPRESSO
DELL

Direct selling refers to a scenario whereby a company's products are not sold through intermediary channels, but are available directly from the manufacturer or service provider. In this way, the company skips the retail margin or any additional costs associated with the intermediaries. These savings can be forwarded to the customer and a standardised sales experience established. Additionally, the close contact can improve customer relationships.



HOW HILTI DOES IT: A new big sales department has been introduced, which is specifically focused on the problems of drill users on the ground.

www.bmilab.com BMI Lab

#20 Guaranteed Availability

20 | Guaranteed availability

IBM
HILTI
MACHINERYLINK

Within this model, the availability of a product or service is guaranteed, resulting in almost zero downtime. The customer can use the offering as required, which minimises losses resulting from downtime. The company uses expertise and economies of scale to lower operation costs and achieve these availability levels.



HOW HILTI DOES IT: Through the Fleet Management program, Hilti organizes the machine park of the customer and with decentralized "Hilti Centers" it ensures permanent availability of the right tools.

www.bmilab.com BMI Lab

#27 Lock-In

27 | Lock-in

GILLETTE
MICROSOFT
NESTLÉ NESPRESSO

Customers are locked into a vendor's world of products and services. Using another vendor is impossible without incurring substantial switching costs, and thus protecting the company from losing customers. This lock-in is either generated by technological mechanisms or substantial interdependencies of products or services.



HOW HILTI DOES IT: By leasing the drills and offering full maintenance through long-term subscription contracts, Hilti achieves long-term customer relationships.

www.bmilab.com BMI Lab

...STILL REMEMBER SHARED VALUE?

THERE ARE PATTERNS TO ENSURE SHARED VALUE PERSPECTIVE!

Bocken, N. M., Short, S. W., Rana, P., & Evans, S. (2014). A literature and practice review to develop sustainable business model archetypes. *Journal of cleaner production*, 65, 42-56.

FIGURE 12: INNOVATIONS THAT FIT THE ARCHETYPES (ADAPTED FROM: BOCKEN, SHORT, RANA, & EVANS, 2014)



FIGURE 12: INNOVATIONS THAT FIT THE ARCHETYPES (ADAPTED FROM: BOCKEN, SHORT, RANA, & EVANS, 2014)

MAJOR INNOVATION TYPES DOMINANT ARCHETYPES	ENVIRONMENTAL			SOCIAL			ECONOMICAL		
	MAXIMIZE MATERIAL AND ENERGY EFFICIENCY	CLOSING RESOURCE LOOPS	SUBSTITUTE WITH RENEWABLES AND NATURAL PROCESSES	DELIVER FUNCTIONALITY RATHER THAN OWNERSHIP	ADOPT A STEWARDSHIP ROLE	ENCOURAGE SUFFICIENCY	REPURPOSE FOR SOCIETY/ ENVIRONMENT	INCLUSIVE VALUE CREATION	DEVELOP SCALE UP SOLUTIONS

FIGURE 12: INNOVATIONS THAT FIT THE ARCHETYPES (ADAPTED FROM: BOCKEN, SHORT, RANA, & EVANS, 2014)

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INNOVATION THAT FITS THE ARCHETYPES	Low-carbon manufacturing	Circular economy, closed loop	Move from non-renewable to renewable energy sources	Product-oriented PSS – maintenance, extended warranty	Biodiversity protection	Consumer education, communication	Not for profit	Collaborative approaches (sourcing, production, lobbying)	Incubators and entrepreneur-support models
	Lean manufacturing	Cradle-2-Cradle	Solar- and wind-power-based energy innovations	Use oriented PSS – Rental, lease, shared	Consumer care – promote consumer health and well-being	Demand management	Hybrid businesses, social enterprise (for profit)	Peer-to-peer sharing	Open innovation
	Additive manufacturing	Industrial symbiosis	Zero-emissions initiative	Result-oriented PSS – Pay per use	Ethical trade (fair trade)	Slow fashion	Alternative ownership: co-operative, mutual, collectives	Inclusive innovation	Patient/slow capital
	Low-carbon solutions	Reuse, recycle, remanufacture	Slow manufacturing		Choice editing by retailers	Product Longevity	Social and biodiversity regeneration initiatives	Base of pyramid (BoP) solutions	Impact investing/ capital
	Dematerialization (of products/ packaging)	Take back management			Radical transparency about environmental/ societal impacts	Premium branding/ limited availability			Crowdfunding/ sourcing
	Increased functionality					Frugal business			Peer-to-peer lending

BUT REMEMBER,

**WITH THESE TOOLS YOU CAN OVERCOME THE
DOMINANT LOGICS/THINKING PATTERNS.**

RIGOROUS ANALYSIS WORK IS STILL NEEDED 😊

RECENT CASE EXAMPLE: IIT TALA

Most of the discussion focused on the brand and design, but how about the “new” business model?



Taija Turunen · You
Assistant Professor
4d · 🌐

I must admit that I am not entirely convinced by Iittala's new strategy. My skepticism began when initial reports surfaced about their plan to adopt a fashion industry-like approach by releasing new collections every six months. The latest column only deepened my doubts, but I wholeheartedly trust there are things that could be done to get things back on the right track.

For many years, I've been teaching designers and other students at Aalto about the design of business models, emphasizing the importance of sustainability. We evaluate business models based on their feasibility (can it be technically implemented?), viability (does it meet financial criteria?), and desirability (is it beneficial for humanity?). This interdisciplinary approach has proven effective in guiding better business model decisions.

However, I am concerned about business models that promote increased consumption, considering our natural resources' limited availability. Moreover, I believe in adopting an ecosystem perspective in business model design. This approach focuses on leveraging networks for value creation, aiming not just to capture value but to distribute it fairly among all stakeholders involved. Maybe this could be something to consider in future decisions?



Aino Frilander

HS-analyysi | Suomalaiset suuttuivat Iittalan uudesta logosta, mutta uudistuksessa on toinen, suurempi ongelma

hs.fi · 3 min read

👍👍👍 Ilona Törmikoski and 524 others

24 comments · 4 reposts

Reactions



👍 Like 💬 Comment 🔄 Repost ➦ Send

📊 43,022 impressions

View analytics



Taija Turunen · You
Assistant Professor
3d · 🌐

And the story continues as the HS reporter now states:

"However, the success of an expensive rebranding effort is not measured by complaints on social media, but rather by its impact on business operations. Are more products being sold?"

Why is it so challenging to consider alternative ways of measuring success beyond simply the volume of products sold? For instance, what about selling fewer products at a higher premium? Or selling fewer products but offering aftercare services or additional services to support durable products? I am convinced there are numerous alternatives to merely filling the world with material goods.

Seriously.



Sonia Zaki

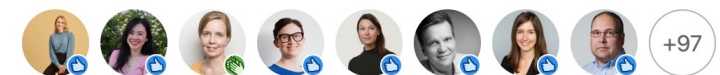
Markkina-analyysi | Pastellisävyjä, onttoja mainoslauseita, z-sukupolven Instagram-estetiikkaa – Iittalan "uudessa ajassa" ei ole mitään uutta tai...

hs.fi · 2 min read

👍👍👍 Iiris Saittakari and 104 others

12 comments

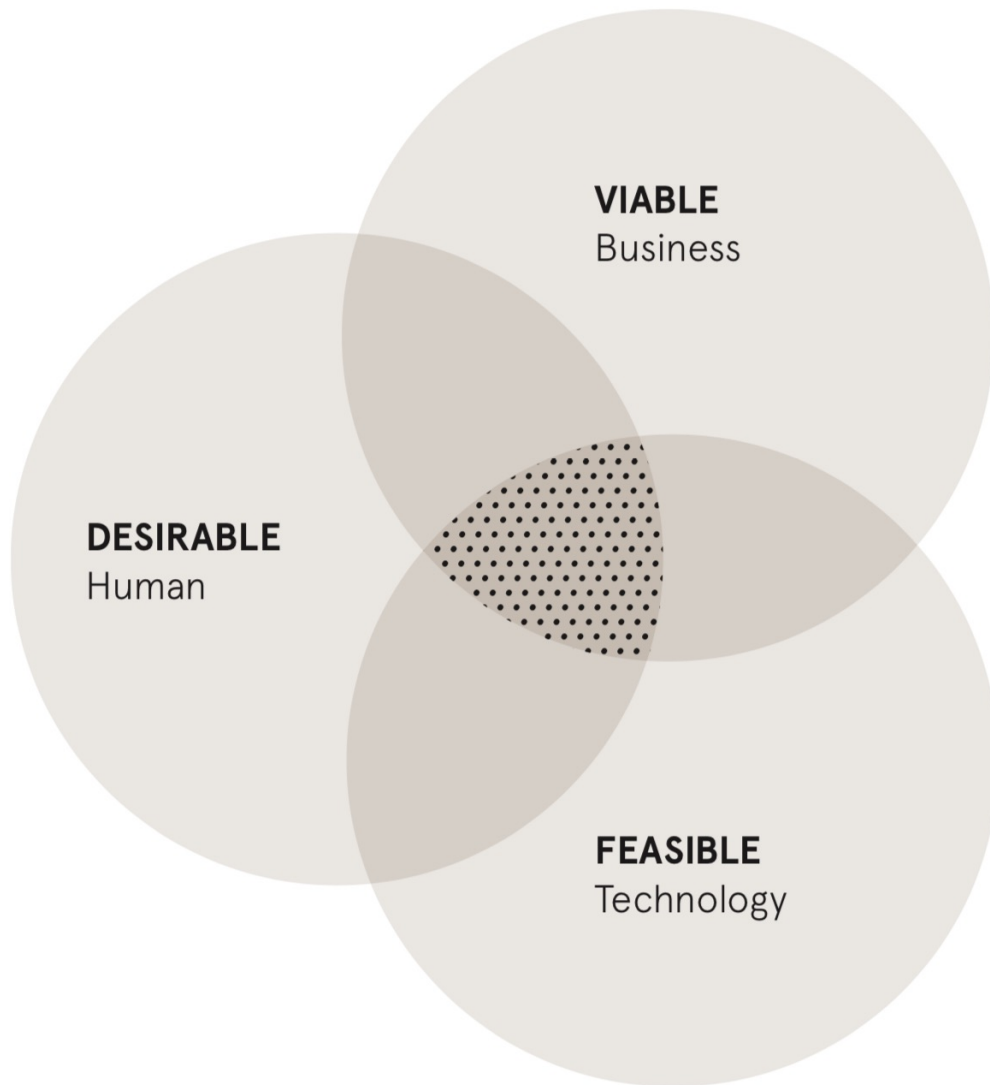
Reactions



👍 Like 💬 Comment 🔄 Repost ➦ Send

📊 11,416 impressions

View analytics



Something perhaps to consider when evaluating business model innovations.

**...WE WILL PRACTICE ON OVERCOMING THE
DOMINANT LOGIC ON THURSDAY**

TODAY'S SCHEDULE

- What is innovation
- How to never run out of concrete ideas
- **Course summary**
- Preparing for Thursday

DESIGNING BUSINESS MODELS FOR SHARED VALUE

Short summary of the course

Prof. Taija Turunen
Design Management
Aalto University, School of Business,
Dept. of Management Studies

KEY LEARNINGS

- Lets reflect few minutes the key learnings of the course.
- First about 3-4 minutes individually and then 10 minutes within small groups.
- Try to think of what you expected from the course (lecture 1) in relation what you feel you have learned.

THIS IS WHERE WE STARTED. STILL REMEMBER? 😊

WELCOME TO LEARN TOGETHER!

- For the next 5 weeks we will explore the domain of business model design, especially from value sharing perspective
- We will explore different value propositions, value creation mechanisms and value capture/sharing paradigms
- We will explore how the design of game-changing businesses break industry conventions and challenge us to reconsider the way we live.
- It is our aim to together define how business models can be designed and re-designed – and in more detail, what transdisciplinarity brings to this setting



FIVE MODULES



Aalto University



Aalto University

**COURSE METATHEME:
DESIGNING FOR SHARED VALUE**

MODULE 1 - INTRODUCTION: DETRIVIALIZING SHARED VALUE

Themes: Shared value in business models. Different theoretical approaches to business model design. Categorizing business model development and communication tools.

Learning objectives: Compare and critically evaluate different theoretical approaches to business model concept (focus on shared value); Recognize different business model designs from existing cases; Further develop the models using development tools

MANDATORY MATERIALS/READINGS FOR MONDAY

- Michael Porter: Why business can be good at solving social problems. <https://youtu.be/0ilh5YYDR2o> (video)
- Crane, A., Palazzo, G., Spence, L. J., & Matten, D. (2014). Contesting the value of “creating shared value”. *California management review*, 56(2), 130-153.

MANDATORY READINGS FOR THURSDAY

- Bocken, N. M. P., Rana, P., & Short, S. W. (2015). Value mapping for sustainable business thinking. *Journal of Industrial and Production Engineering*, 32(1), 67-81.

MODULE 2 - PLATFORM BUSINESS MODELS (Visitor: Ville Eloranta)

- Themes: Platforms as ecosystem-level business models. Platforms, panaceas, and critical thinking. Developing existing platforms and building new ones
- Learning objectives: Identifying the core concepts of platforms as ecosystem-level business models; Identifying and comparing different approaches to platform economy; Identifying and applying ecosystem business model design tools

MANDATORY MATERIALS/READINGS FOR MONDAY

- Cusumano, Michael A; Yoffie, David B; Gawer, Annabelle. The Future of Platforms. MIT Sloan Management Review; Cambridge Vol. 61, Iss. 3, (Spring 2020): 46-54.
- Van Alstyne, M. W., Parker, G. G., & Choudary, S. P. (2016). Pipelines, platforms, and the new rules of strategy. Harvard business review, 94(4), 54-62.

MANDATORY READINGS FOR THURSDAY

- Auvinen, H., Dufva, M., & Koivisto, R. (2018). Metaphors to describe and explore platform company strategies. Available at: <https://cris.vtt.fi/en/publications/metaphors-to-describe-and-explore-platform-company-strategies>

MODULE 3 - WHAT IT TAKES TO PUT VALUE FIRST

- Themes: Theoretical link between user-centered-design and value proposition design, and its application to practice. Value proposition development process
- Learning objectives: Identify the theoretical link between (user- driven) design (previous knowledge) and value proposition development process; Perform the systematic value proposition design process

MANDATORY MATERIALS/READINGS FOR MONDAY

Frow, P., McColl-Kennedy, J. R., Hilton, T., Davidson, A., Payne, A., & Brozovic, D. (2014). Value propositions: A service ecosystems perspective. *Marketing Theory*, 14(3), 327-351.

MANDATORY READINGS FOR THURSDAY

- Mandatory: Bettencourt, L. A., & Ulwick, A. W. (2008). The customer-centered innovation map. *Harvard Business Review*, 86(5), 109.
- Optional: Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014). *Value proposition design: How to create products and services customers want*. John Wiley & Sons

MODULE 4 - RESILIENCE AND ADAPTABILITY IN BUSINESS MODELS

- Themes: Uncertainty and business models; How to ensure that your business models are resilient; How to design for continuous development and adaptation in an uncertain world (e.g., applying business agility)
- Learning objectives: Comparing "traditional" efficiency-oriented approach to business models to resilient approach; Applying stress- tests to your business designs

MANDATORY MATERIALS/READINGS FOR MONDAY

- <https://hbr.org/2020/07/a-guide-to-building-a-more-resilient-business> AND
- <https://hbr.org/2017/02/how-spotify-balances-employee-autonomy-and-accountability> OR <https://hbr.org/2015/06/the-self-tuning-enterprise>

MANDATORY READINGS FOR THURSDAY

- Haaker, T., Bouwman, H., Janssen, W., & de Reuver, M. (2017). Business model stress testing: A practical approach to test the robustness of a business model. *Futures*, 89, 14-25

MODULE 5 - SUSTAINABLE BUSINESS MODEL INNOVATION

- Themes: Business model as an arena for innovation: Incremental, radical and disruptive innovation. Business model patterns
- Learning objectives: Develop business model cases further by combining different design patterns, and creating new business model prototypes

MANDATORY MATERIALS/READINGS FOR MONDAY

- Christensen, C. M., Bartman, T., & Van Bever, D. (2016). The hard truth about business model innovation. MIT Sloan Management Review, 58(1), 31.
- Evans, S., Vladimirova, D., Holgado, M., Van Fossen, K., Yang, M., Silva, E. A., & Barlow, C. Y. (2017). Business model innovation for sustainability: Towards a unified perspective for creation of sustainable business models. Business Strategy and the Environment, 26(5), 597-608.

MANDATORY READINGS FOR THURSDAY

- Gassmann, O., Frankenberger, K., & Csik, M. (2013). The St. Gallen business model navigator.
- Bocken, N. M., Short, S. W., Rana, P., & Evans, S. (2014). A literature and practice review to develop sustainable business model archetypes. Journal of cleaner production, 65, 42-56.

**INDEPENDENT PARTS,
BUT CAN BE USED TOGETHER!**



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TASK 1: EXPLORE YOUR CASE WITH METAPHORS
Time: 20 min [INSTRUCTION VIDEO](#)

FOR AN OVERVIEW OF THE METAPHOR MATRIX, SEE THE METAPHOR MATRIX TOOLKIT.

TASK 2: MAP ECOSYSTEM MEMBERS
Time: 15 min [INSTRUCTION VIDEO](#)

ECOSYSTEM MEMBERS
FOR AN OVERVIEW OF THE ECOSYSTEM MEMBERS TOOLKIT, SEE THE ECOSYSTEM MEMBERS TOOLKIT.

TASK 3: ANALYZE ECOSYSTEM MEMBERS
Time: 25 min [INSTRUCTION VIDEO](#)

ECOSYSTEM MEMBER PROFILE
FOR AN OVERVIEW OF THE ECOSYSTEM MEMBER PROFILE TOOLKIT, SEE THE ECOSYSTEM MEMBER PROFILE TOOLKIT.

TASK 4: CREATE ECOSYSTEM MOTIVATION MATRIX
Time: 30 min [INSTRUCTION VIDEO](#)

ECOSYSTEM MOTIVATION MATRIX
FOR AN OVERVIEW OF THE ECOSYSTEM MOTIVATION MATRIX TOOLKIT, SEE THE ECOSYSTEM MOTIVATION MATRIX TOOLKIT.

TASK 5: CREATE ECOSYSTEM VALUE PROPOSITIONS AND VALUE ALIGNMENT
Time: 30 min [INSTRUCTION VIDEO](#)

MAP & ALIGN THE VALUE SYSTEM

TASK 6: ENSURE THAT YOU GET REMUNERATED FOR YOUR RISK TAKING
Time: 30 min [INSTRUCTION VIDEO](#)

TASK 7: ENSURE THAT YOUR PLATFORM BUSINESS MODEL HAS "SHARED VALUE" THINKING AND SUSTAINABILITY PERSPECTIVE IN IT
Time: 30 min [INSTRUCTION VIDEO](#)

TASK 8: BUSINESS MODEL STRESS TESTING
Time: 60 min [INSTRUCTION VIDEO](#)

THINK ABOUT THE REVENUE & PROFIT

AVOID OVER EXPLOITATION

	Technological	Social	Organisational
Knowledge	Maximise material and efficiency	Create value with circular economy, closed loop	Substitute with renewable energy sources
Activities	Low carbon manufacturing/solutions	Circular economy, closed loop	Move from non-renewable to renewable energy sources
Enablers	Material efficiency, waste reduction, recycling, remanufacturing	Take back management, User access, Increased functionality to reduce total number of products required	Blue Economy, The Natural Step, Slow manufacturing, Green chemistry
Outcomes	Extended product responsibility	Sharing assets (shared ownership and collaborative consumption)	Green chemistry

STRESS TEST THE MODEL

TASK 1: EXPLORE YOUR CASE WITH METAPHORS
Time: 20 min | INSTRUCTION VIDEO

FIGURE 1: METAPHORS

METAPHORS

TASK 2: MAP ECOSYSTEM MEMBERS
Time: 15 min | INSTRUCTION VIDEO

FIGURE 2: ECOSYSTEM MEMBER MAPPING

ECOSYSTEM MEMBER MAPPING

TASK 3: ANALYZE ECOSYSTEM MEMBER ANALYSIS
Time: 25 min | INSTRUCTION VIDEO

FIGURE 3: ECOSYSTEM MEMBER ANALYSIS

TASK 4: CREATE ECOSYSTEM MOTIVATION MATRIX
Time: 30 min | INSTRUCTION VIDEO

FIGURE 4: ECOSYSTEM MOTIVATION MATRIX

MAP & ALIGN THE VALUE SYSTEM

ECOSYSTEM MOTIVATION MATRIX

TASK 5: CREATE ECOSYSTEM VALUE PROPOSITIONS AND VALUE ALIGNMENT
Time: 30 min | INSTRUCTION VIDEO

FIGURE 5: ECOSYSTEM VALUE PROPOSITIONS AND VALUE ALIGNMENT

TASK 6: BUSINESS MODEL STRESS TESTING
Time: 40 min

FIGURE 6: BUSINESS MODEL STRESS TESTING

ALIGNING VALUE SHARING

VALUE PROPOSITION DESIGN

TASK 7: ENSURE THAT YOUR PLATFORM BUSINESS MODEL HAS "SHARED VALUE" THINKING AND SUSTAINABILITY PERSPECTIVE IN IT
Time: 30 min | INSTRUCTION VIDEO

TASK 8: BUSINESS MODEL STRESS TESTING
Time: 40 min

FIGURE 7: BUSINESS MODEL STRESS TESTING

BUSINESS MODEL PATTERNS

THINK ABOUT THE REVENUE & PROFIT

TASK 9: ENSURE THAT YOUR PLATFORM BUSINESS MODEL HAS "SHARED VALUE" THINKING AND SUSTAINABILITY PERSPECTIVE IN IT
Time: 30 min | INSTRUCTION VIDEO

TASK 10: BUSINESS MODEL STRESS TESTING
Time: 40 min

FIGURE 8: BUSINESS MODEL STRESS TESTING

SUSTAINABILITY ARCHETYPES

AVOID OVER EXPLOITATION

TASK 11: BUSINESS MODEL STRESS TESTING
Time: 40 min

FIGURE 9: BUSINESS MODEL STRESS TESTING

STRESS TEST THE MODEL

STRESS TESTING

**ALL TOOLS AVAILABLE IN MYCOURSES
FOR YOU FUTURE USE**



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TASKS STILL TO BE DONE

1. Learning journal 5, DL next Monday 19.2.2024 23.59.
2. Possibility to retake one learning journal, DL 26.2.2023
3. Take-home exam
 - Questions to be published Thursday 15.2 15.00 in Mycourses
 - DL 25.2 23.59.59. Late submission not possible!
 - All the instructions in Mycourses

If you have questions regarding the take home exam see first FAQ and then ask the question in MyCourses discussion forum (others might be asking the same and benefit from this public question)

TODAY'S SCHEDULE

- What is innovation
- How to never run out of concrete ideas
- Course summary
- **Preparing for Thursday**

PREPARING FOR THURSDAY

1. Check your group in MyCourses (MODULE 5)
2. Contact your team and
 - Select a case for your team (list in MyCourses)
3. Before Thursday:
 - Watch instruction video
 - Read articles (2)
 - Get familiar with your case

Due to the public transportation strike, all the workshops on Thursday 15th will be held online!
Follow the lecture Zoom link.

MORE INFORMATION

Prof. Taija Turunen
Design Management
Aalto University, School of Business,
Dept. of Management Studies



THANK YOU FOR THE COURSE!! ITS BEEN LIKE EATING ICE CREAM ON A SUNNY DAY!

PLEASE REMEMBER THE COURSE FEEDBACK SURVEY (follow the link sent to your email)! 😊

IF MORE THAN 8 RESPONSES, I WILL GIVE 1 EXTRA POINT TOWARDS THE EXAM!