A Purpose-Driven Approach to Business Model Design (Version 2.3) Sept 2015

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What is a Business Model?

- A *Business Model* describes how an Organization creates, delivers and captures *Value*

- The *Business Model Canvas* of Osterwalder & Pigneur provides a shared language for describing, visualizing, assessing and designing business models

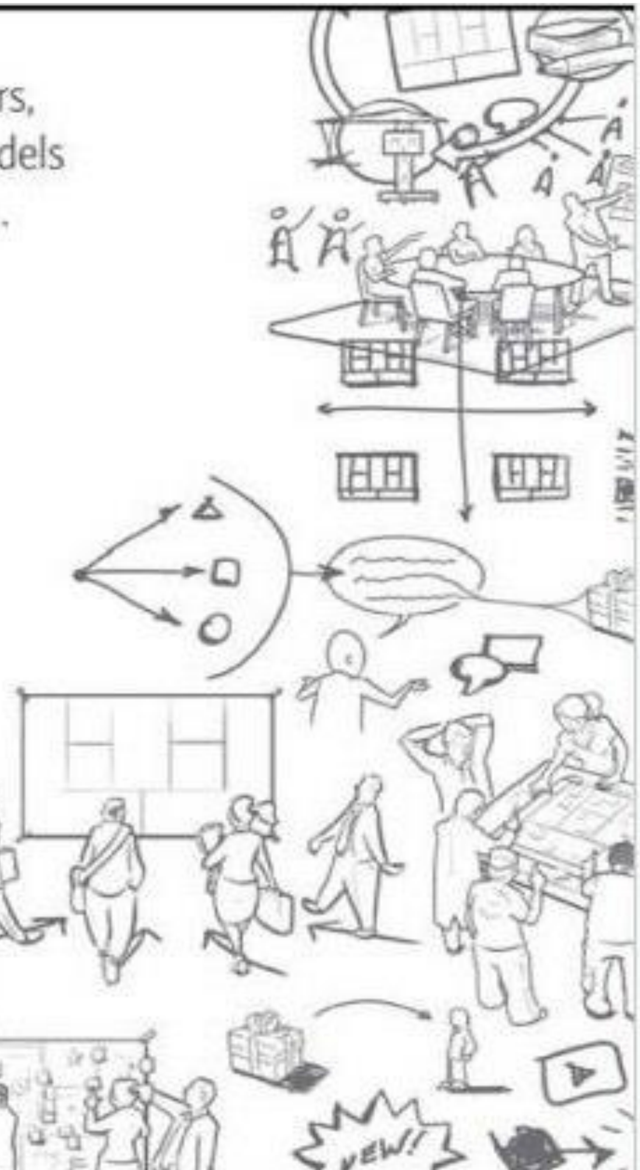
You're holding a handbook for visionaries, game changers, and challengers striving to defy outmoded business models and design tomorrow's enterprises. It's a book for the . . .

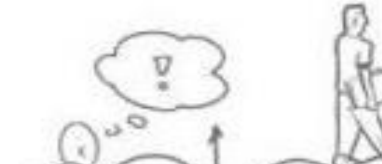
Business Model Generation

WRITTEN BY
Alexander Osterwalder & Yves Pigneur

CO-CREATED BY
An amazing crowd of 470 practitioners from 45 countries

DESIGNED BY
Alan Smith, The Movement





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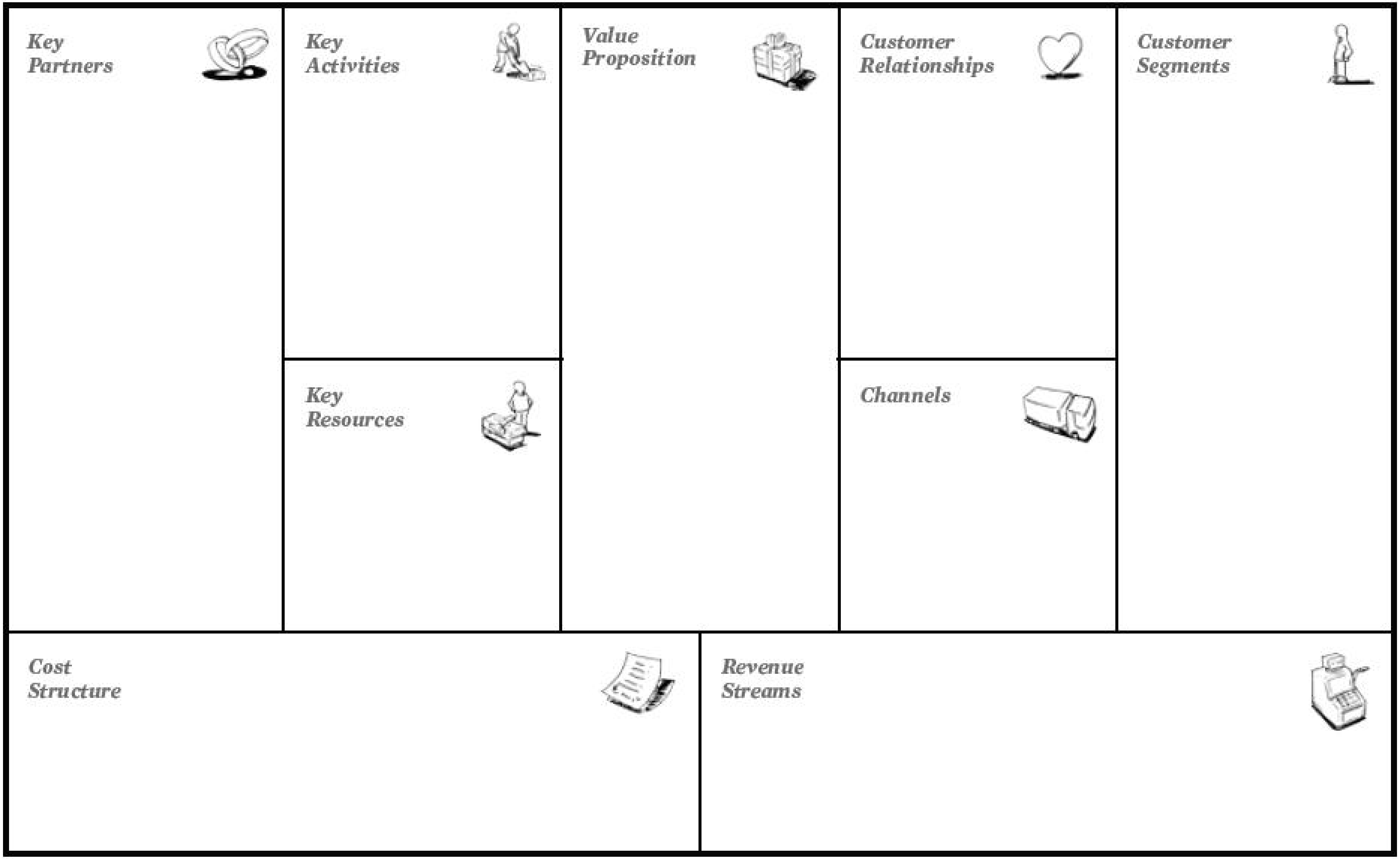
The 9 Building Blocks of Business Model



Source: Osterwalder & Pigneur

Business Model & Profitability

- As a business model visualization tool, BMC is designed to highlight the links between the various components of a business model with its ***financial*** consequences (cost, revenue)
- This is particularly important in assessing the ***financial viability*** or ***profitability*** of any proposed business model design

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Beyond *Just* Profitability?

- However, many businesses, even ***for-profit*** organizations, have ***other purposes*** besides profitability
  - **Family Business**: Profitability + Family Control + Grooming Next Generation + Upholding Family Legacy
  - **Consumer Cooperative**: Profitability + Keeping Prices Affordable for Members
  - **State-Owned Enterprises**: Profitability + Local Economic Development/Job Creation
  - **Internet/Social Media Start-Up**: Subscriber/user-base acquisition (Deferred Profitability)
  - Companies with significant **Corporate Social Responsibility (CSR)** activities: Goodwill (deferred profitability)
- ***Trading off*** Profitability Purpose with some other purposes (temporarily or permanently)

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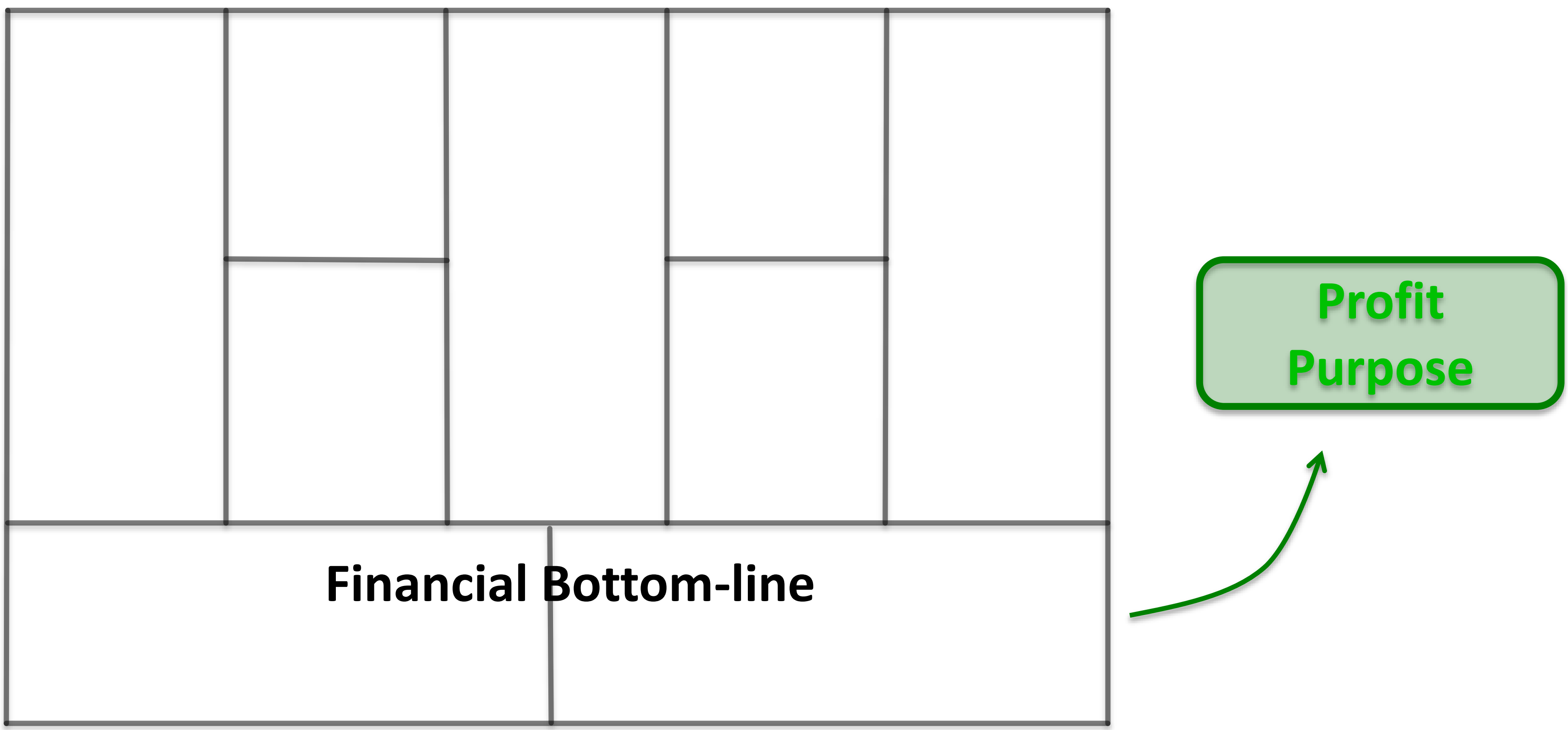
Profitability as *Secondary* Purpose?

- This trading off of profitability with other purposes becomes even more important for ***Social Impact-Driven*** Business Ventures & Non-Profits/Social Enterprises
  - Social Impact as the ***Primary*** Purpose of the Organization, Profitability/Financial Viability either Secondary or a ***Means*** to achieve the primary Purpose
  - Discovering and designing ***Alternative Financing Models*** to make up for financial shortfalls are an integral part of the business model design process

Moving Beyond Just Profit Purpose…



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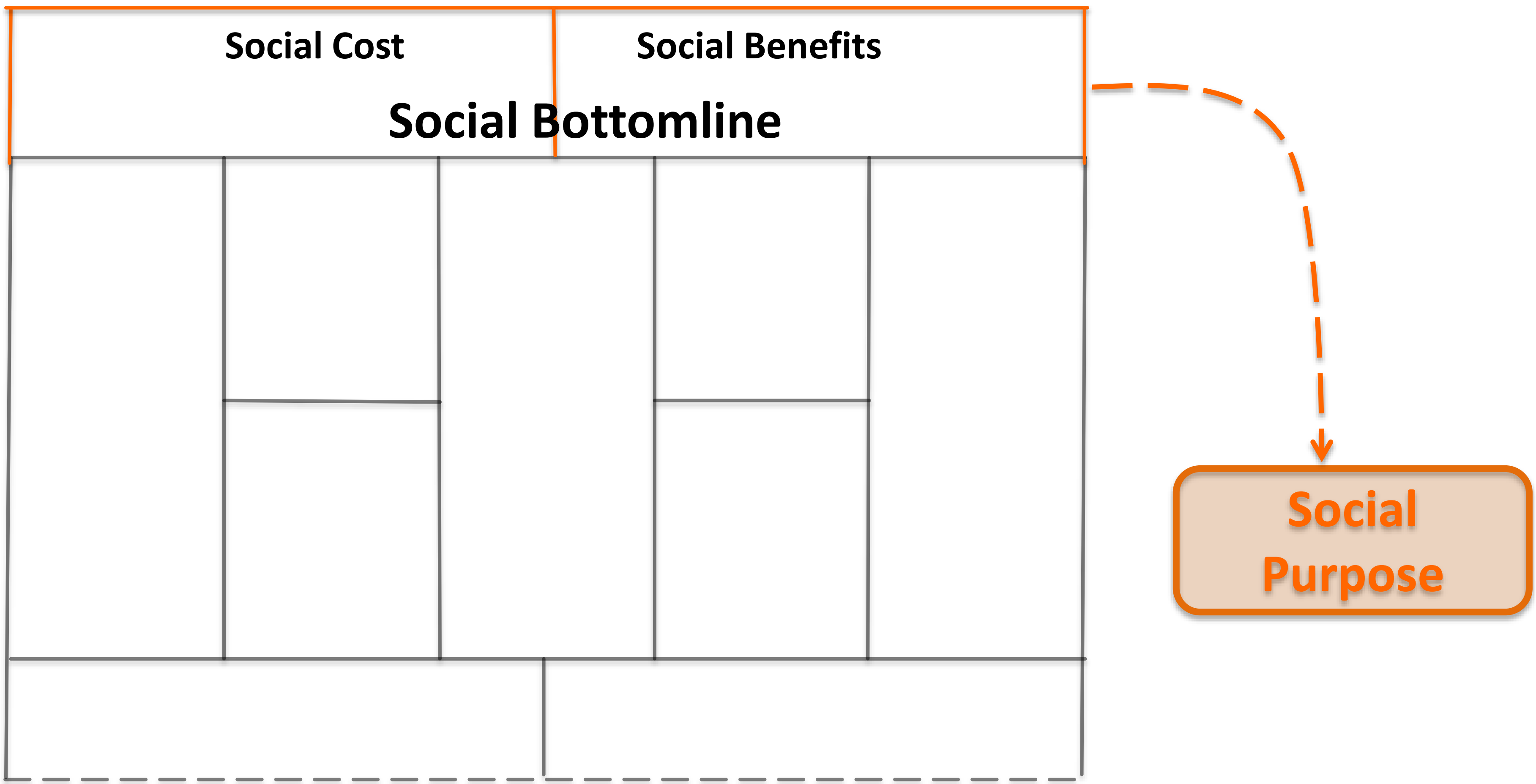
…to Incorporate Social Purpose…



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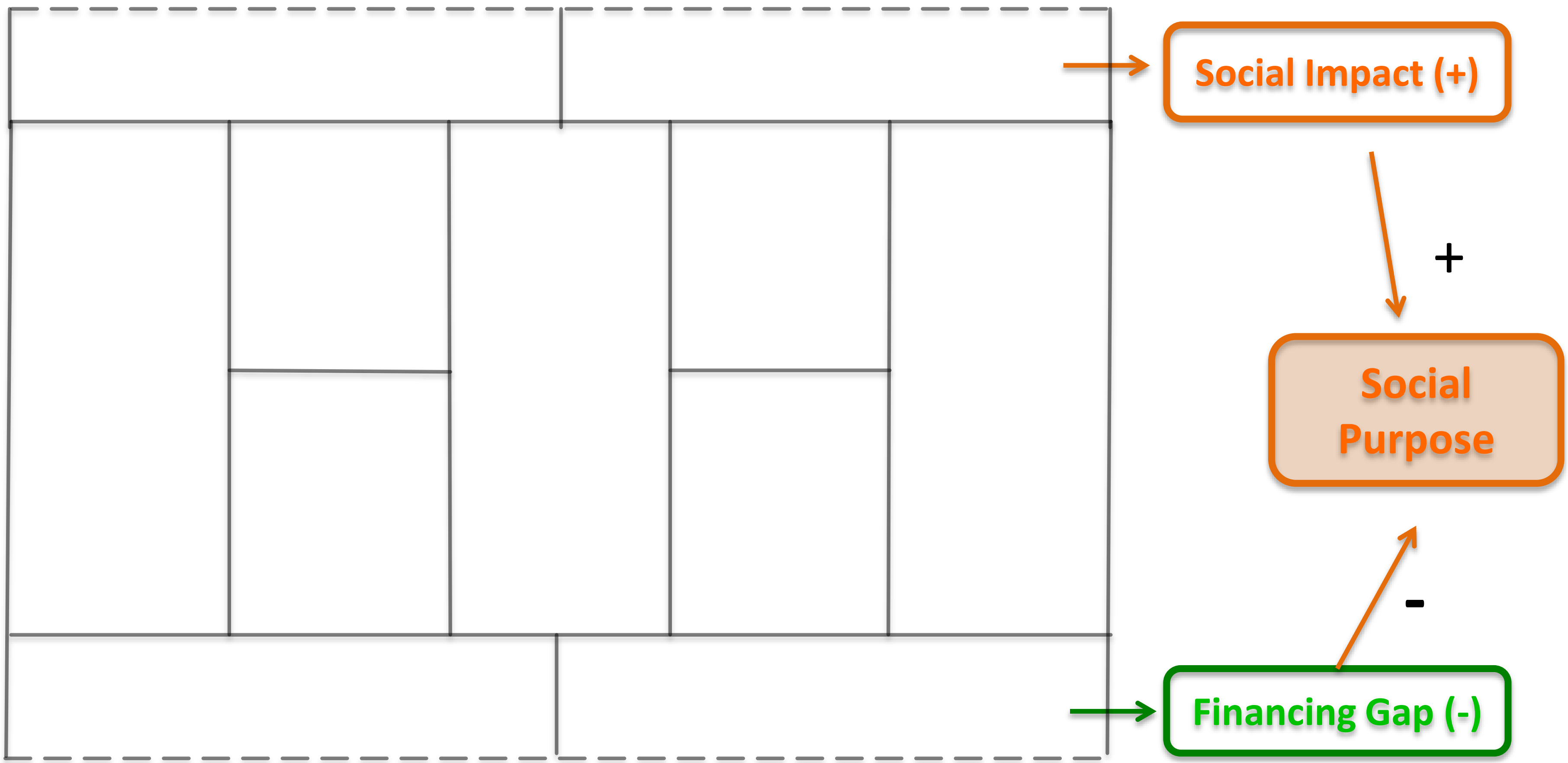
...but this often leads to *Trade-Off*...



Trading Off impact with Financial Viability: An Example

By HUANG LIJIE
ARTS CORRESPONDENT

Free entry to museums for Singaporeans and PRs

FREE entry to museums year-round for Singaporeans and permanent residents (PRs) tops the list of moves by the Ministry of Culture, Community and Youth (MCCY) to strengthen cultural identity and build a strong sense of belonging.

Artists and arts groups will also enjoy more than double – or about $94 million – in grants over a five-year period, starting last year, while a $200 million Cultural Donation Matching Fund will be set up to match private sector donations.

Acting Minister Lawrence Wong said in Parliament yesterday that Singapore's rapid development and social changes have made it "difficult to develop strong cultural anchors for our national identity". As a result, Singaporeans "feel disoriented, especially with the increase in population and new immigrants".

He painted a picture of how a vibrant cultural scene here can root people in shared culture and heritage, and burnish Singapore's appeal as a home for its people.

Free admission, for one thing, aims to make museums "central to the cultural and community life of all Singaporeans", he said.

It extends to six national museums and two heritage institutions, including the Singapore Art Museum and the Malay Heritage Centre. It will begin on May 18, in conjunction with International Museum Day.

Museum visitors can also expect a more comprehensive set of works on display, as the Government pumps in $62 million over the next five years to acquire and conserve artworks and artefacts.

Mr Wong noted that the scope of free museum admission has "progressively expanded".

Since 2011, the National Heritage Board (NHB), which runs the national museums and heritage institutions, has rolled out free admission pilots, offering citizens and PRs free entry in the month of August to mark National Day. The pilots saw visitorship increase by 10 per cent compared with August of the preceding year.

Mr Wong said it was "after careful consideration" that he decided to go ahead with free museum entry year-round. "I hope this move will encourage more Singaporeans to visit our museums and heritage institutions," he said.

Mr Baey Yam Keng (Tampines GRC), who raised the idea of year-round free museum admission in 2011, asked the minister how museums would cope with the lost revenue. Responding, Mr Wong said "the revenue foregone would be made good by MCCY".

NHB collects an annual admission revenue of $2 million. Its overall operating expenditure for the last financial year is around $151 million.

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SEE HOME B2

Source: The Straits Times

- Not just purely a pricing issue, but many components of business model have to change substantially
  - Which customer market segments to serve ?
  - What Product/Service will Provide the Best Value Proposition to the chosen market segments ?
- Meeting the Goal of the ***alternative financial source*** (Public Financing in this case) may impose ***constraints*** on the original purpose (e.g. Arts that are critical of the government)

New Design Elements that Need to be Integrated

- ***Financing Models***
  - A Business Model that is not profitable can still achieve financial sustainability by finding alternative financial models
  - Indeed, even for-profit businesses often need to secure alternative financial models before achieving profitability
- ***Stakeholder Model***:
  - However, different financing models require, explicitly or implicitly, different Stakeholder or Governance Structure
  - Because the new stakeholder(s) have *purposes* of their own, which may be different from the purpose of the focal entrepreneur or organization, its purpose may need to be ***adapted*** to achieve ***alignment*** with that of the stakeholder, resulting in a new ***Shared Purpose***

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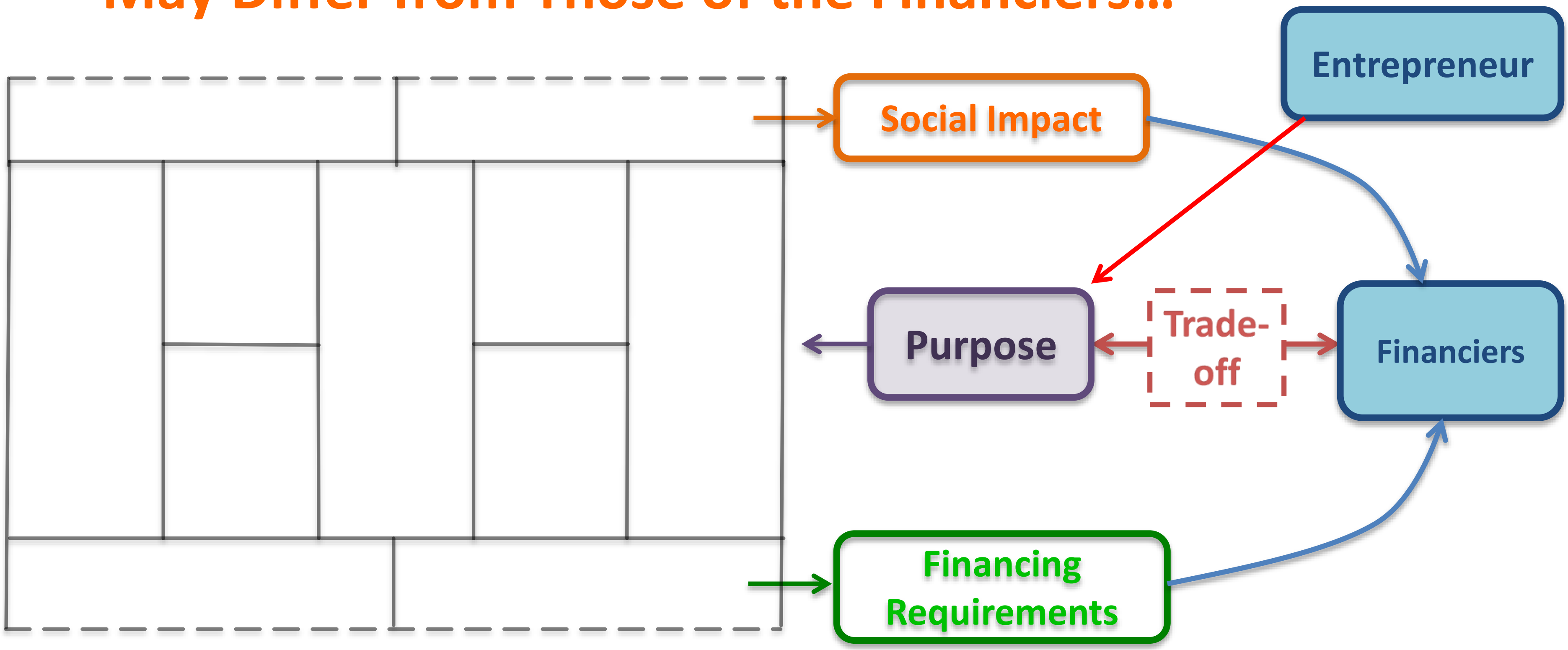
The Original Purpose of the Social Entrepreneur May Differ from Those of the Financiers…



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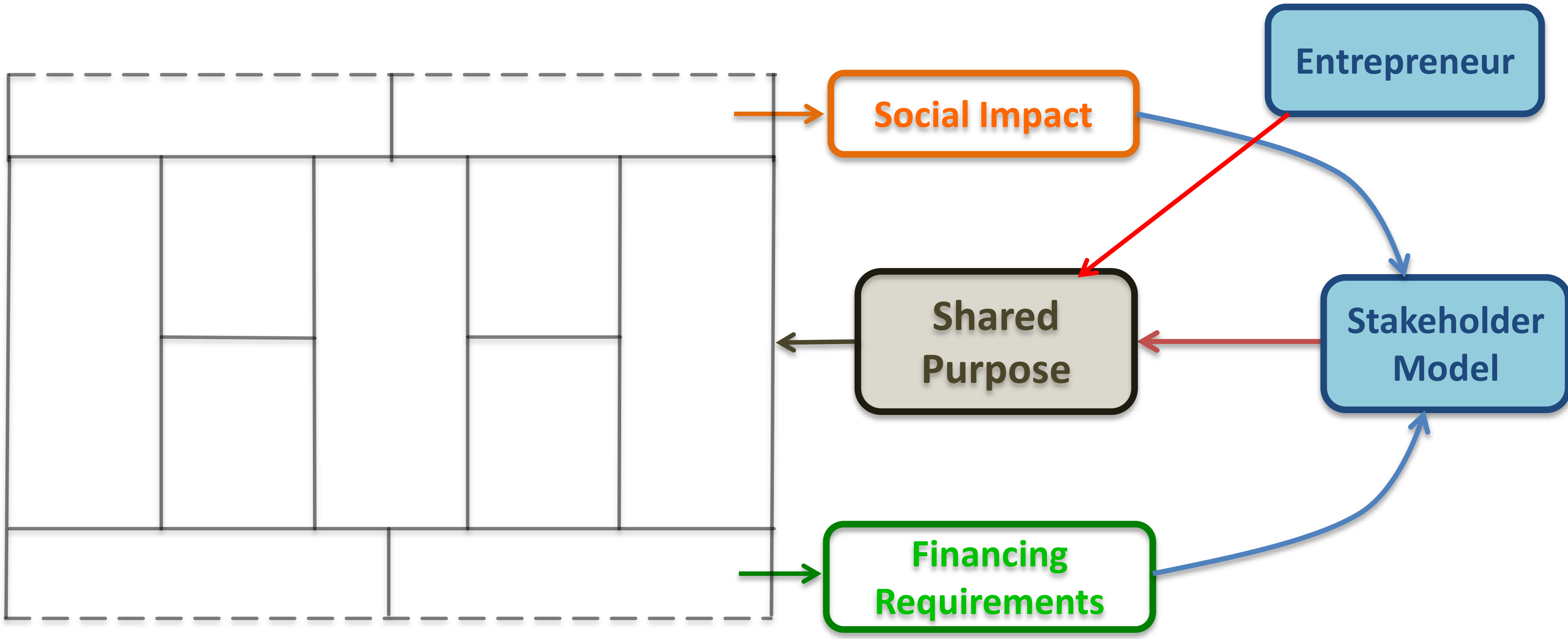
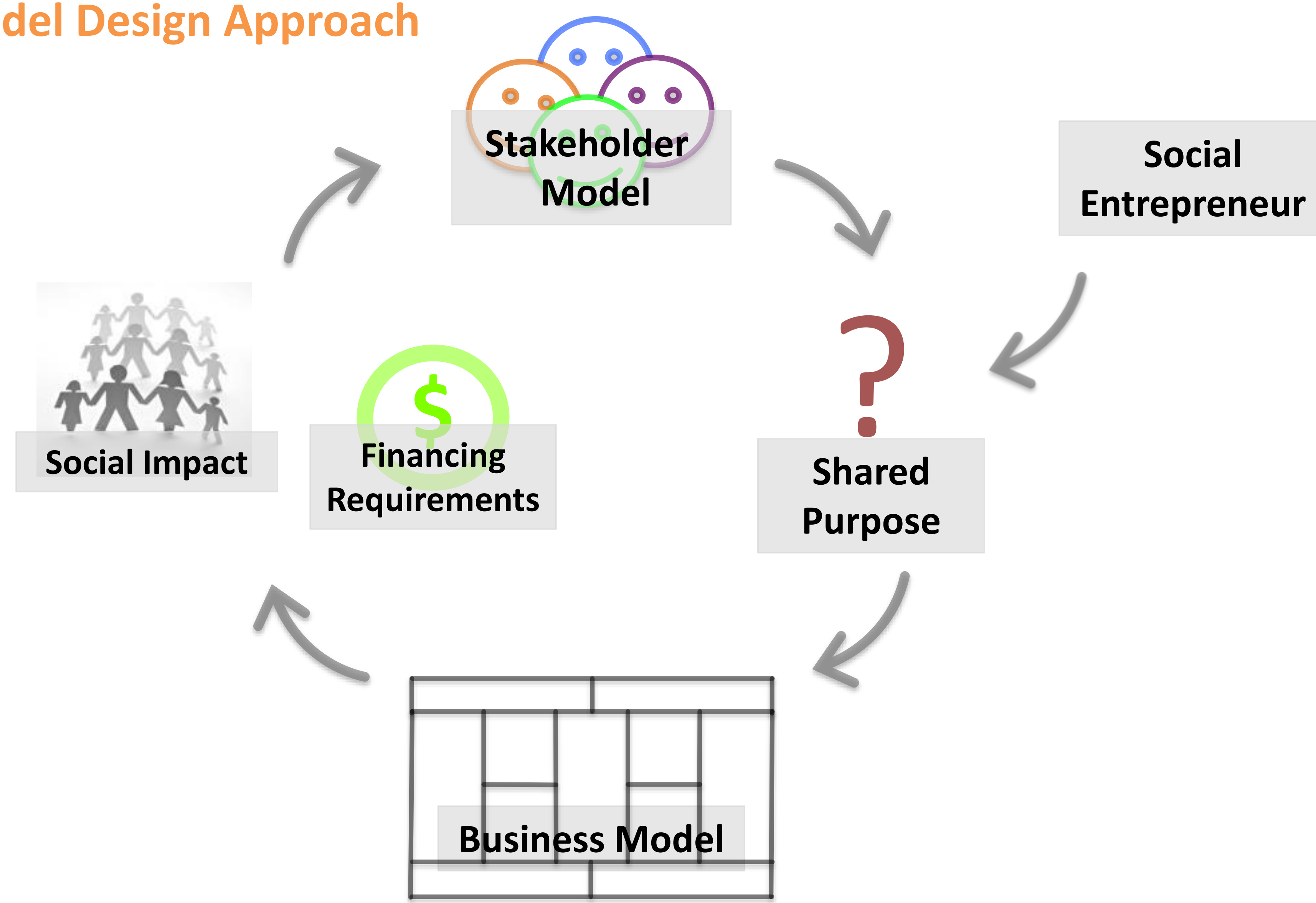
...Leading to the Need to Develop a new *Shared Purpose* that Aligns the Interests of *All* Stakeholders



The *Iterative* Process of the Purpose-Driven Business Model Design Approach



Incorporating Social Impacts into Business Model Design

Self-Reflection Question

- What is your purpose ?
- How can it be measured? How do you know if you have achieved your purpose ?

Social Impacts

- Conventional profit-driven businesses are measured by the "financial bottom-line" – financial returns to shareholders
- A purpose-driven business is seeking to make certain desired social impacts as its primary goal – a "social bottom-line" or social returns to stakeholders
- Key to achieving those desired impacts is to have clear ***metrics*** to measure the social outcome generated

What is a *Social* Enterprise?

- *Social Purpose*-Driven vs. *Profit*-Driven
- Delivering *Social Impacts* on an on-going, *sustainable*, and *scalable* basis

Is This a Social Enterprise ?

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THE STRAITS TIMES MONDAY, FEBRUARY 18, 2013 HOME | B9

S'porean cycling from China for charity

Father of three hopes to raise $200k for Assisi Hospice from 5,000km trip

By LIM YI HAN

HE CYCLES 30km to work and back home every day, just as he has done for nearly a decade. Now, he aims to cycle 5,000km from China to Singapore to raise funds for the sick.

China-based Singaporean Lim Wee Yin, 57, will be cycling in April from Guizhou in China to Singapore for Assisi Hospice.

The hospice takes care of adults and children with life-limiting illnesses.

The cycling enthusiast hopes to raise $200,000 from corporate sponsors and public donors, as well as through his own contacts.

Mr Lim, who works as a production planning and control director in an engineering firm in China, will be cycling alone for most of the journey.

He will spend about 50 days on the road from April 28 to June 16.

He plans to ride his mountain bike from Guizhou to northern Laos, followed by Chiang Mai and Bangkok in Thailand, then to Malaysia before reaching Singapore.

His finishing point here will be St Joseph's Institution International at Thomson Road, where Assisi Hospice will be holding its annual fund-raising event.

For the father of three, it is a "fun challenge" for a good cause.

He has been cycling actively since 2002, when he was posted to China for work. He comes back to Singapore every three months to visit his family.

He told The Straits Times: "Cycling is one of the best things to do in China, as there are many cyclists there. I was also keen to explore the towns in China. It's a lifestyle thing, I enjoy it."

Mr Lim cycles half an hour to work and takes a longer route when he rides home.

On top of that, he also cycles on weekends, covering about 250km on his bicycle every week.

This is not the first time that Mr Lim, who also enjoys trekking and running, will be cycling long distance.

Mr Lim Wee Yin, 57, will be making the cross-country journey from Guizhou over about 50 days, travelling mostly by himself. He did a similar fund-raising trip in 2004 with a friend, cycling 10,000km in 100 days. ST PHOTO: DESMOND LIM

In 2004, together with a friend, he cycled 10,000km in 100 days from Beijing to Singapore to raise funds for the Children's Cancer Foundation and Club Rainbow in Singapore and the Shanghai Children's Health Foundation.

Said Mr Lim: "We always take when we are young. We take from our parents, from society. So it's time to give back to society and serve others, and there are many ways to do it."

He added that he is looking forward to the trip, where he will be cycling through the towns on paved roads.

The biggest challenge for him will be to raise the money, which is his "main objective".

"I don't think I have any problem with the cycling part because I've been cycling a lot and I'm a safe cyclist. I will avoid the expressways."

Mr Lim also has his family's full support.

His wife Charlotte Seng, 50, who works as a procurement director for a telco in Singapore, said: "I'm not worried as he has done it before and he has always been an adventurous person. He's been to many places on his own."

She added that she is proud of her husband for cycling for a good cause.

"I'll travel to Guizhou and will be flagging him off to give him moral support," said Madam Seng.

Their second son, 18-year-old Shi Yuan, is also keen to join him on the final leg of his trip, from Malacca or Kuala Lumpur to Singapore.

This is the first time someone will be cycling across countries to raise funds for Assisi Hospice.

Its chief executive officer, Associate Professor Premarani Kanusamy, said: "We are deeply moved by his selfless sacrifice and generosity and we are sure that his gift of love will touch the lives of our patients and their families."

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Source: The Straits Times

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Four Generic Purposes of *Social* Enterprise

- Serving the Needs of the *Underserved*
  - Those who cannot *afford* what the market currently provides
  - Their needs are *ignored*
- Empowering the *Disadvantaged* with the means to help themselves
  - Creating opportunities for the productive use of their existing capability
  - Developing their *Capability*
- Reducing a *Social Bad*
  - *Prevention, Treatment & Circular Economy (Re-use, Up-cycle)*
- Engaging the participation and cooperation of a *Community* of actors in a *Social Ecosystem*

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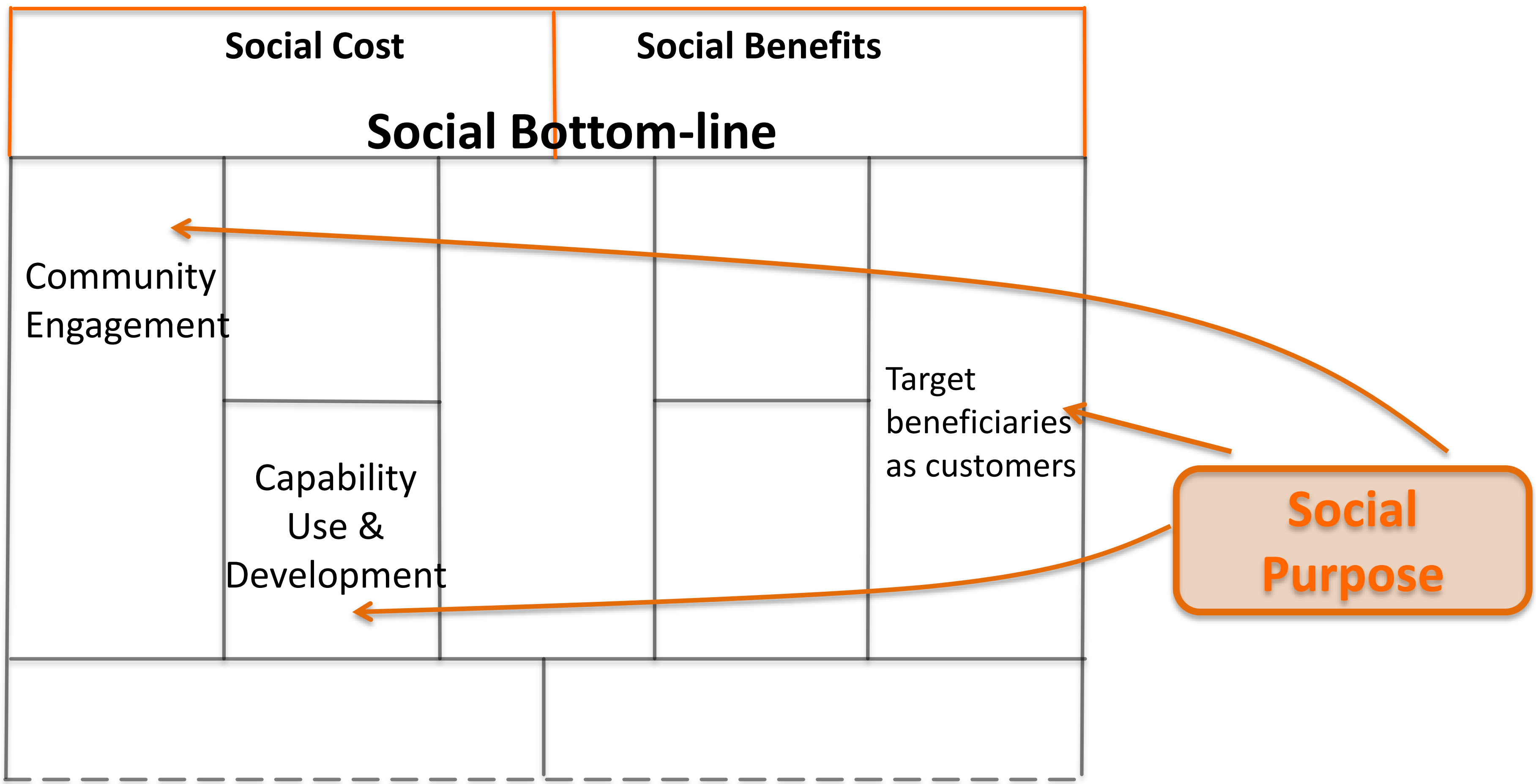
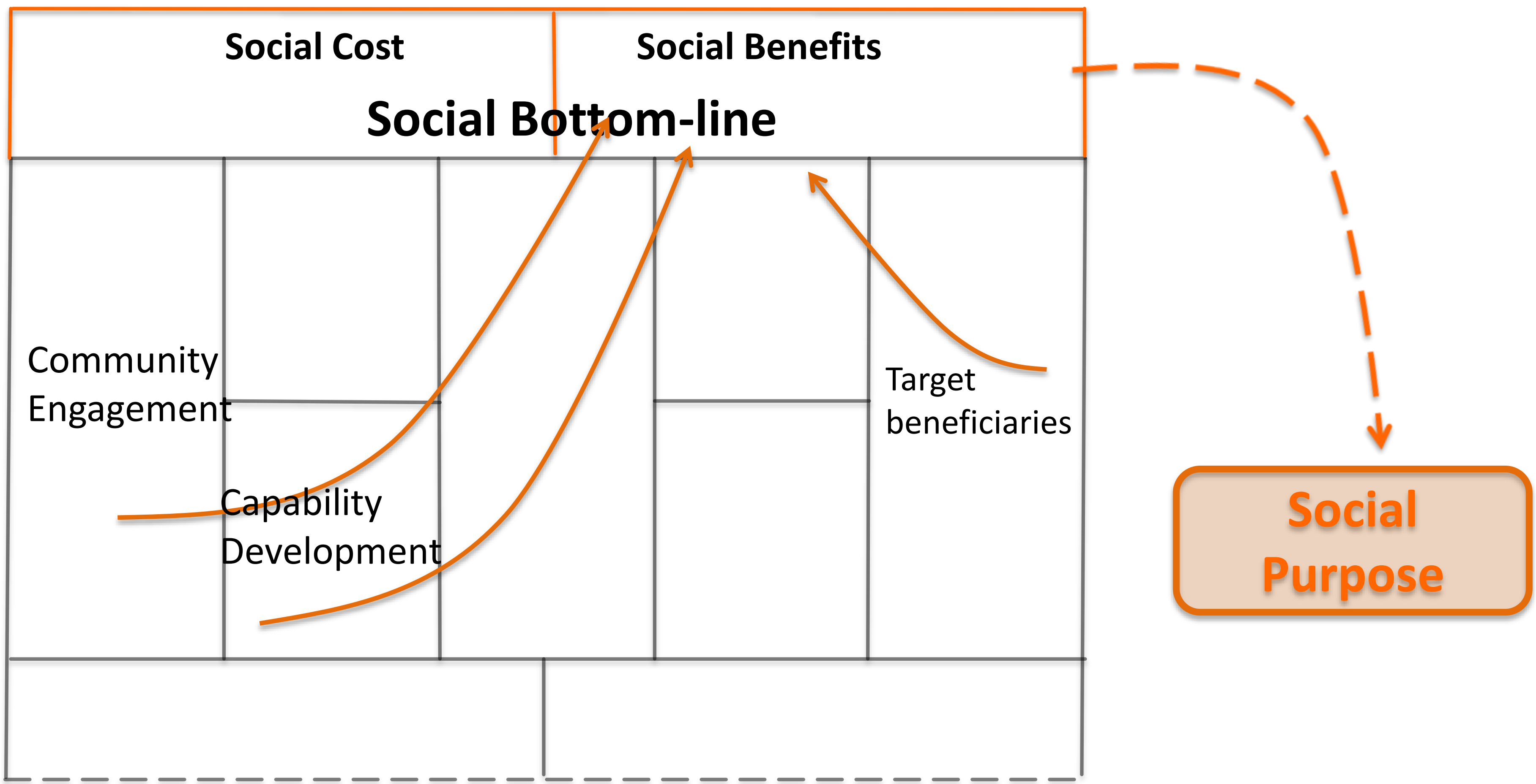
Incorporating Social Purposes into Business Model



...and Metrics to Measure Social Bottom-line



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Generic Social Impact Models

- Target Beneficiary as Customers
  - The Target Beneficiary is the Paying Customer that provides revenue sufficient to cover at least the cost
  - Key Challenge is to Reduce Cost to make the product/service affordable to the underserved group
- "Cross-Subsidy" Models:
  - The Target Beneficiary could not pay, or pay enough to cover cost, hence need to create value for another customer to generate the income to cover the deficit, or find financing models that meet the financial gap
- The Target Beneficiary as Producers
- The Target Community as Partners, Producers and Consumers
- Hybrid Models
  - Combining more than one generic ways to make impacts

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Case Example: Grameen Shakti

- How do you provide access to affordable electricity to the rural poor ?
  - 70% of Bangladesh population were not served by electricity grid

- How do you create jobs for the local community at the same time ?

Photos: Grameen Shakti

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Reduce health problem from kerosene lamps

No. of empowered women entrepreneurs

No. of rural households w. electricity

Solar Panel Suppliers

Schools/ Madrassas

Training

Assembly & Test

Local Women Entrepren-eurs with relevant technical & business knowhow

Affordable electricity

Home Solar System

Empowering Local Women

Maintenance / After-sales service

Direct Sales & Installation by Local Entrepreneurs

Microcredit + Installments

Off-Grid Rural Communities

Cost of Panels

Training Cost

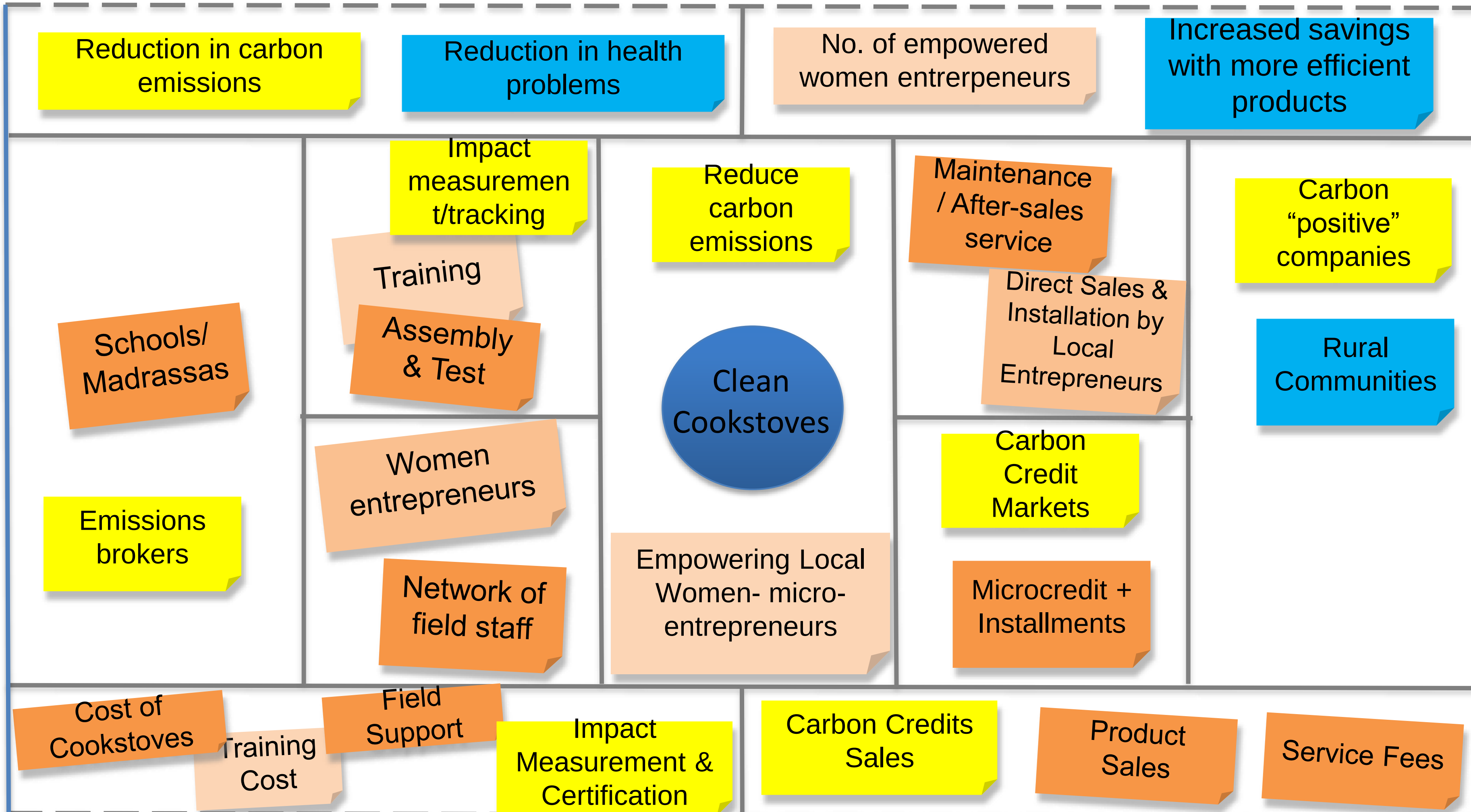
Field Support

Product Sales

Service Fees

Social Business Model of Grameen Shakti (I)

Social Business Model of Grameen Shakti (II)



Grameen Shakti Case Study

Source:

1. **Grameen Shakti Official Web site**: www.gshakti.org
2. **Interview with Abser Kamal, CEO of Grameen Shakti:** http://www.hedon.info/BP58GrameenShaktiInterview?bl=y

Case Example: Saught

- How can we raise Awareness of the world to the Plight of People in post-conflict countries suffering from Landmines and Unexploded Bombs ?
- How can we develop skills and provide employment opportunities to the poor in these post-conflict countries ?

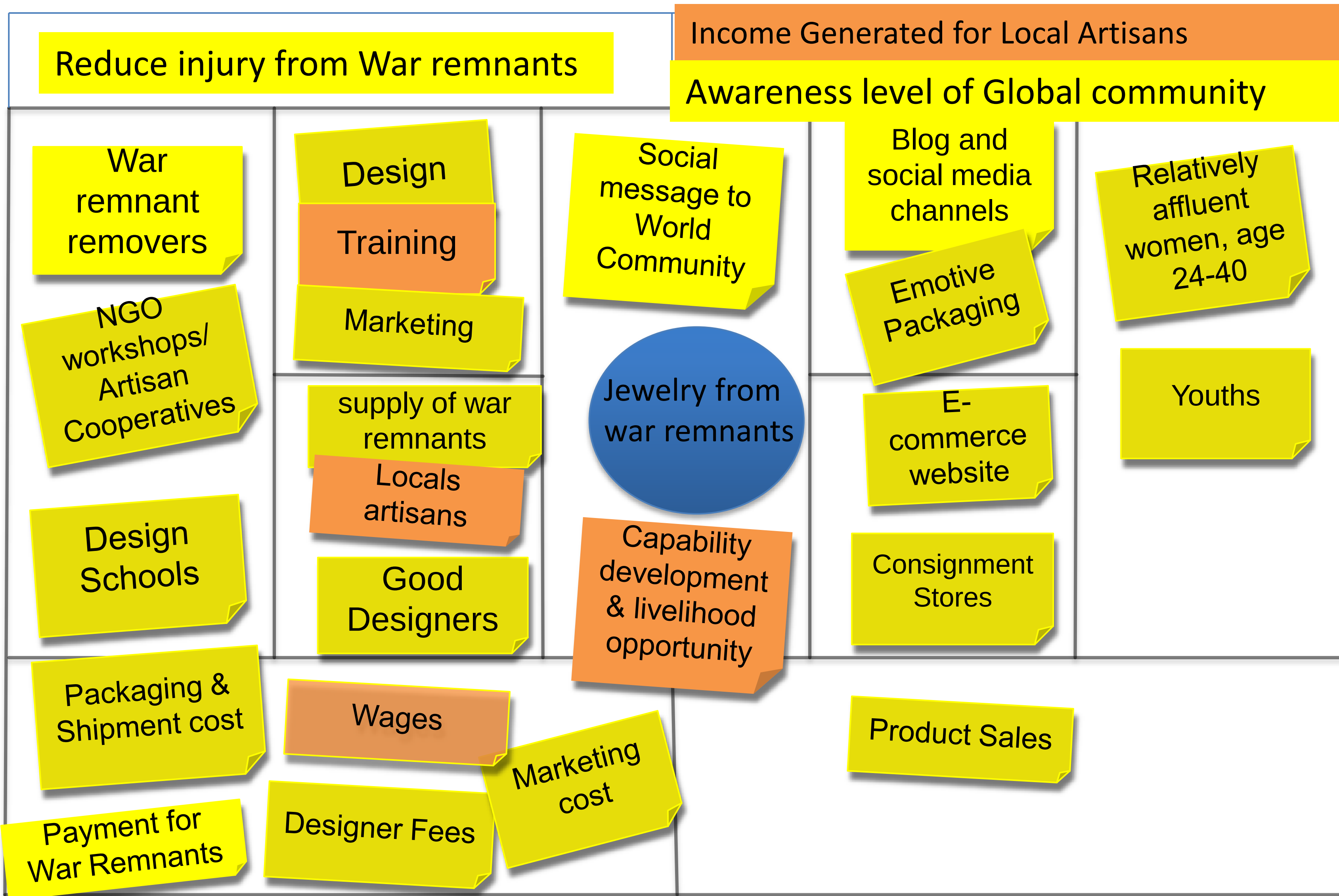
- Saught creates products from deactivated war remnants to support sustainable development in post-conflict countries.

- Partners with mine-deactivation agencies to supply metal to NGO workshops which train local Cambodians in silversmith craftsmanship.

- Collaborates with S'pore designers to create impactful jewelry designs & sell on their online store and via retail partners.

- Winner of the AOTE Pitch It! (S$10,000), ACE Startup S$50K grant, inaugural recipient of the One Young World Social Business Fund (€20,000)

Photos: Saught



Social Business Model of Saught

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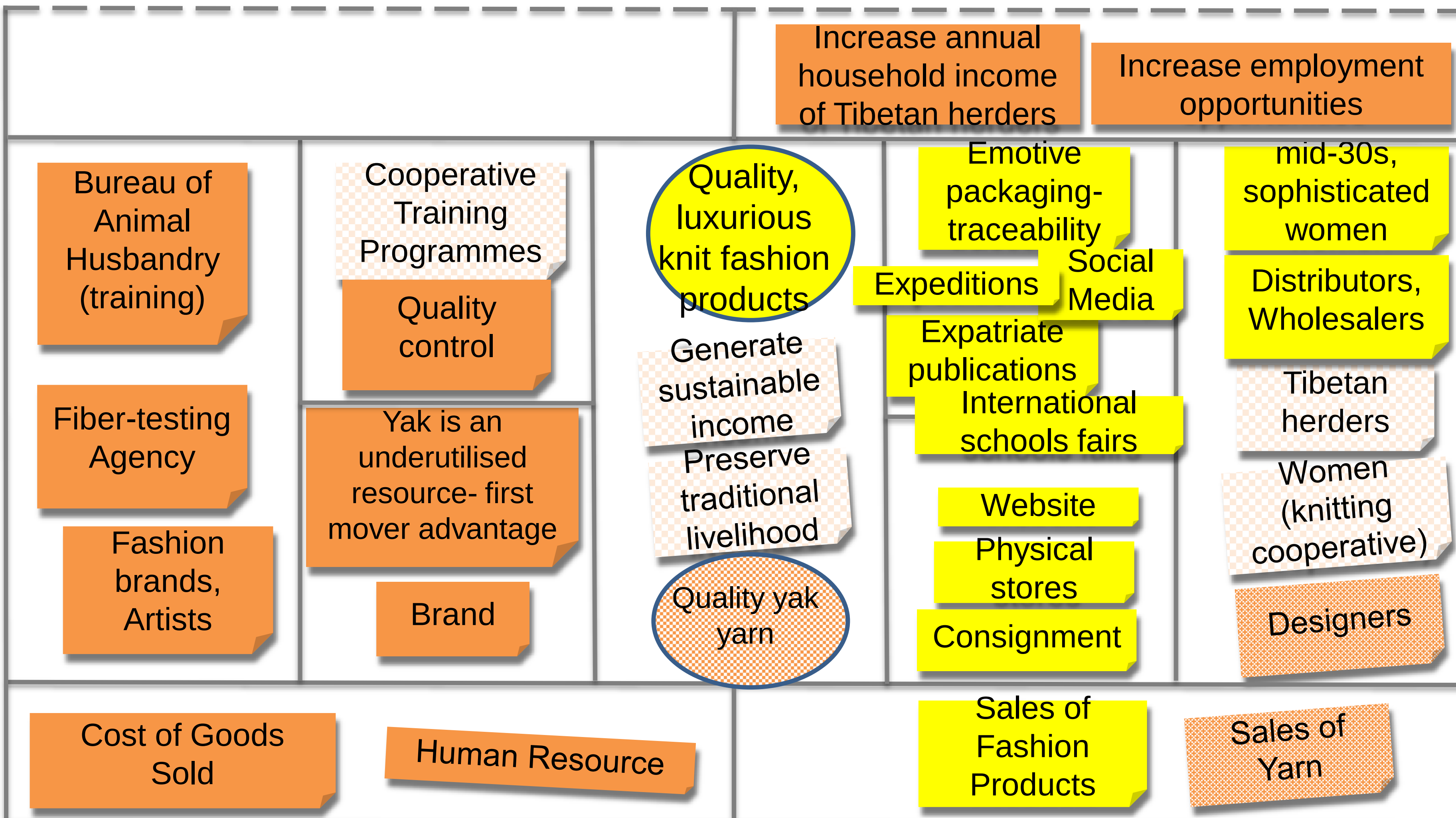
CASE EXAMPLE: SHOKAY

- A socially-conscious luxury brand designing premium knitwear, yarn and fabric from yak down, which is as soft as cashmere.
- Source fiber from Tibetan herders at a fair price which enables them to earn a sustainable living while preserving their traditional lifestyle. (More than 90% of the population struggles to survive with a per capita income of $333 or RMB2,100 and have limited access to quality education, infrastructure, and healthcare.)
- Channels 1% of profit into community development fund to further support work in rural areas.

Photo: Shokay

Shokay's Business Model



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Shokay Case Study

Source:

1. **Shokay Official Website**: www.shokay.com
2. **"Making Yak Wool Fashionable and Socially Responsible",** AmCham's Insight**:** http://insight.amcham-shanghai.org/shokay-making-yak-wool-fashionable-and-socially-responsible/
3. **Women Entrepreneurs: Inspiring Stories from Emerging Economies and Developing Countries-** http://books.google.com.sg/books/about/Women_Entrepreneurs.html?id=Bk_aygAACAAJ&redir_esc=y
4. **"Shokay",** Zoe Wong, Cornell University: https://www.johnson.cornell.edu/Portals/32/images/Center%20for%20Sustainable%20Global%20Enterprise/Center%20at%20large/Shokay%20-%20Honorable%20Mention.pdf

WORKSHOP GROUP EXERCISE I: DIALOGUE IN THE DARK

- How do you raise awareness of society towards the needs of disadvantaged groups like the blind?

- How do you create meaningful jobs for the blind ?

MOVING BEYOND SIGHT

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Workshop Individual Exercise I:

- What is the purpose of your social enterprise?
- How do you measure the achievement of your purpose in terms of specific social impacts?
- Which generic business model best fits what you are trying to achieve?

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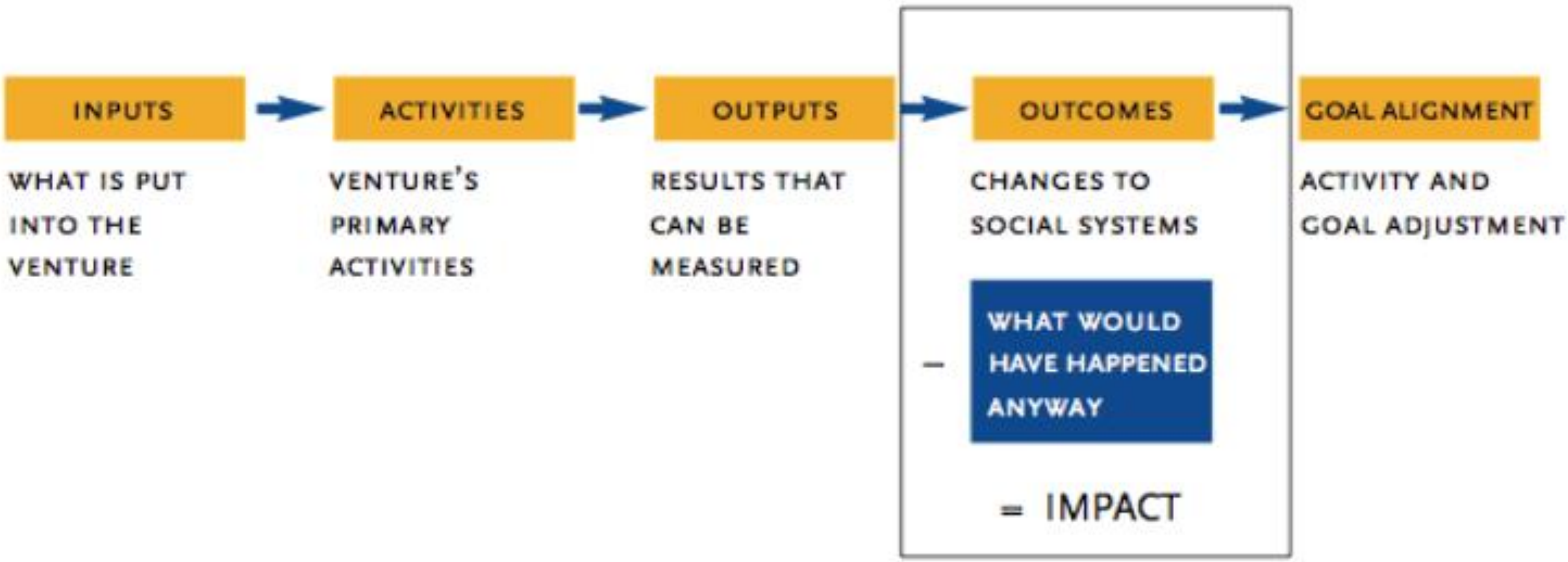
Measuring Social Impacts

- Outputs vs. Outcomes
  - Outputs are results from the venture that can be measured relatively objectively
  - Outcomes are the ultimate changes that one is trying to make in the world, but which may be difficult or costly to measure
- Impact = the portion of the total outcome that happened as a result of the activity of the venture, *above and beyond what would have happened anyway*

Social Impact Value Chain



Source: *Clark, C., Rosenzweig, W., Long, D., & Olsen, S. (2008). Assessing Social Impact in Double Bottom Line. http://www.riseproject.org/DBL_Methods_Catalog.pdfc*

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Case Example: Dignity Kitchen

- A hawker “food stall” management school for the disabled and disadvantaged.
- Trains and provides job placement for students.
- Innovates facilities and education programme to suit the needs of students.

Photo: Dignity Kitchen

Dignity Kitchen's Innovations

Educating the general public to use sign language to order beverages.

Training. Example: Helping the blind cashier to "see"money

Innovations that enable handicapped workers to make drinks/prepare food

Photos: Dignity Kitchen

Measuring Dignity Kitchen's Impacts

- Outputs vs. Outcomes
  - Outputs = no. of handicapped participants trained, income earned
  - Outcomes = *self-esteem* of the participants, increased sociability, reduced dependency , less stress on care-taker …
- Impact = net effects vs. best alternatives

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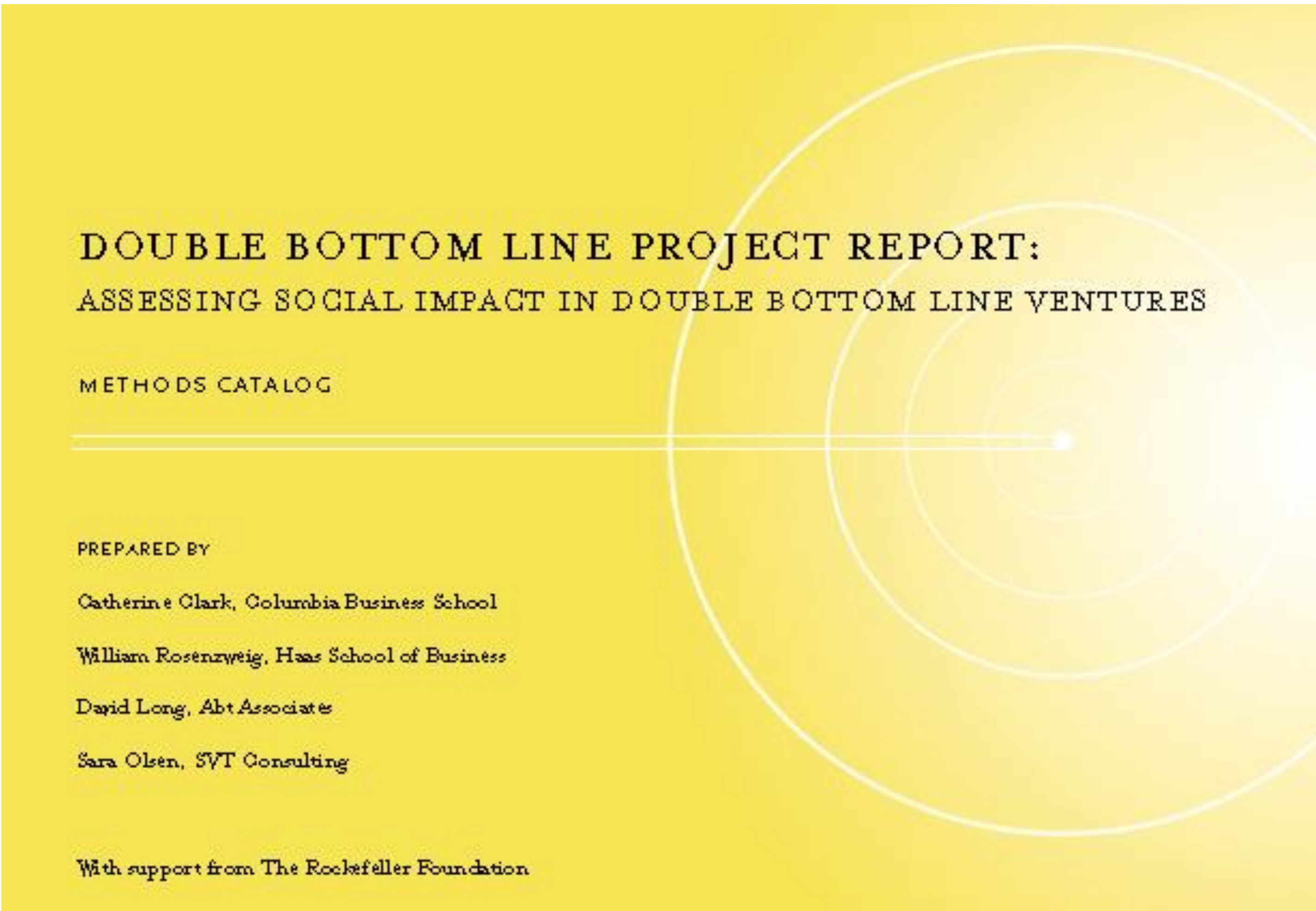
Social Impacts Assessment Methodology

- *Process Methods* are tools to track and monitor the efficiency and effectiveness of the operational processes to generate outputs.
- *Impact Methods* are tools that relate outputs and outcomes, and attempt to prove incremental outcomes relative to the next best alternative.
- *Monetization Methods* monetize outcomes or impact by assigning a dollar value to them.

Examples of Social Impacts Assessment Methodology

- *Acumen Scorecard*
- *Impact Reporting and Investment Standards (IRIS)*
- *Social Returns on Investment (SROI)*

Useful References (I)


DOUBLE BOTTOM LINE PROJECT REPORT:
ASSESSING SOCIAL IMPACT IN DOUBLE BOTTOM LINE VENTURES

METHODS CATALOG

PREPARED BY

Catherine Clark, Columbia Business School

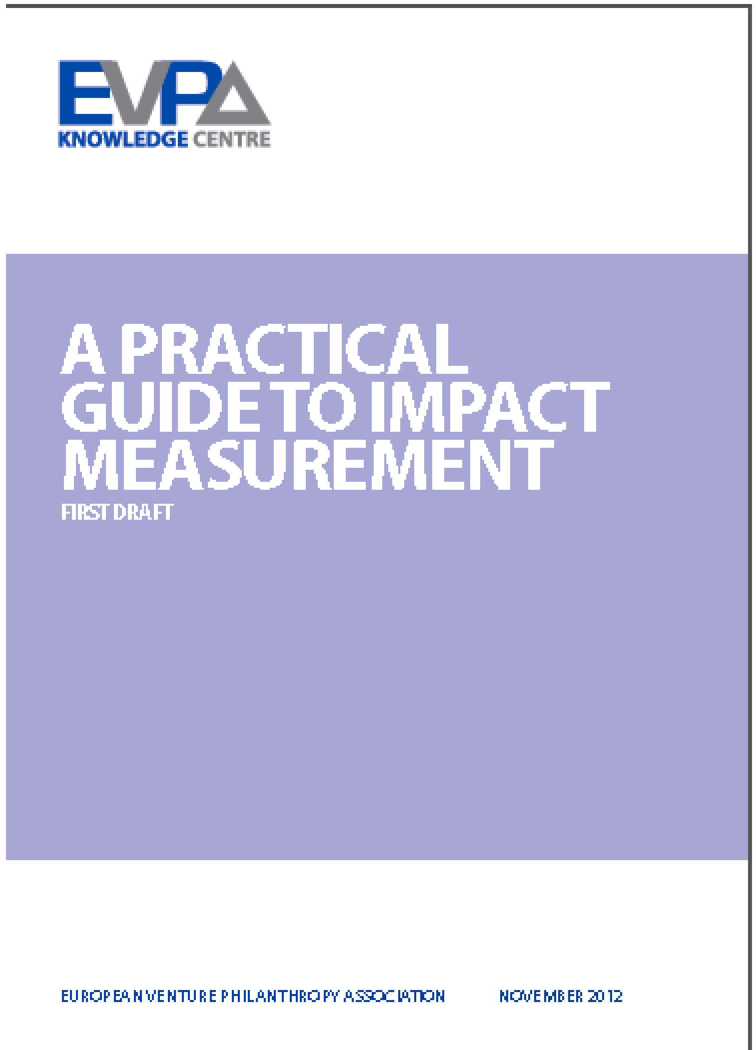
William Rosenzweig, Haas School of Business

David Long, Abt Associates

Sara Olsen, SVT Consulting

With support from The Rockefeller Foundation

Useful References (II)


EVPA KNOWLEDGE CENTRE

A PRACTICAL GUIDE TO IMPACT MEASUREMENT

FIRST DRAFT

EUROPEAN VENTURE PHILANTHROPY ASSOCIATION NOVEMBER 2012

Cost of Social Impacts Measurement

- Often costly and resource-intensive
- Full impact may only be captured when measured over a time period longer than acceptable by the funding agent/stakeholder
- Should ideally be integrated within the business model as a key activity (and hence business cost) necessary to secure the financing from the funding agent/stakeholder

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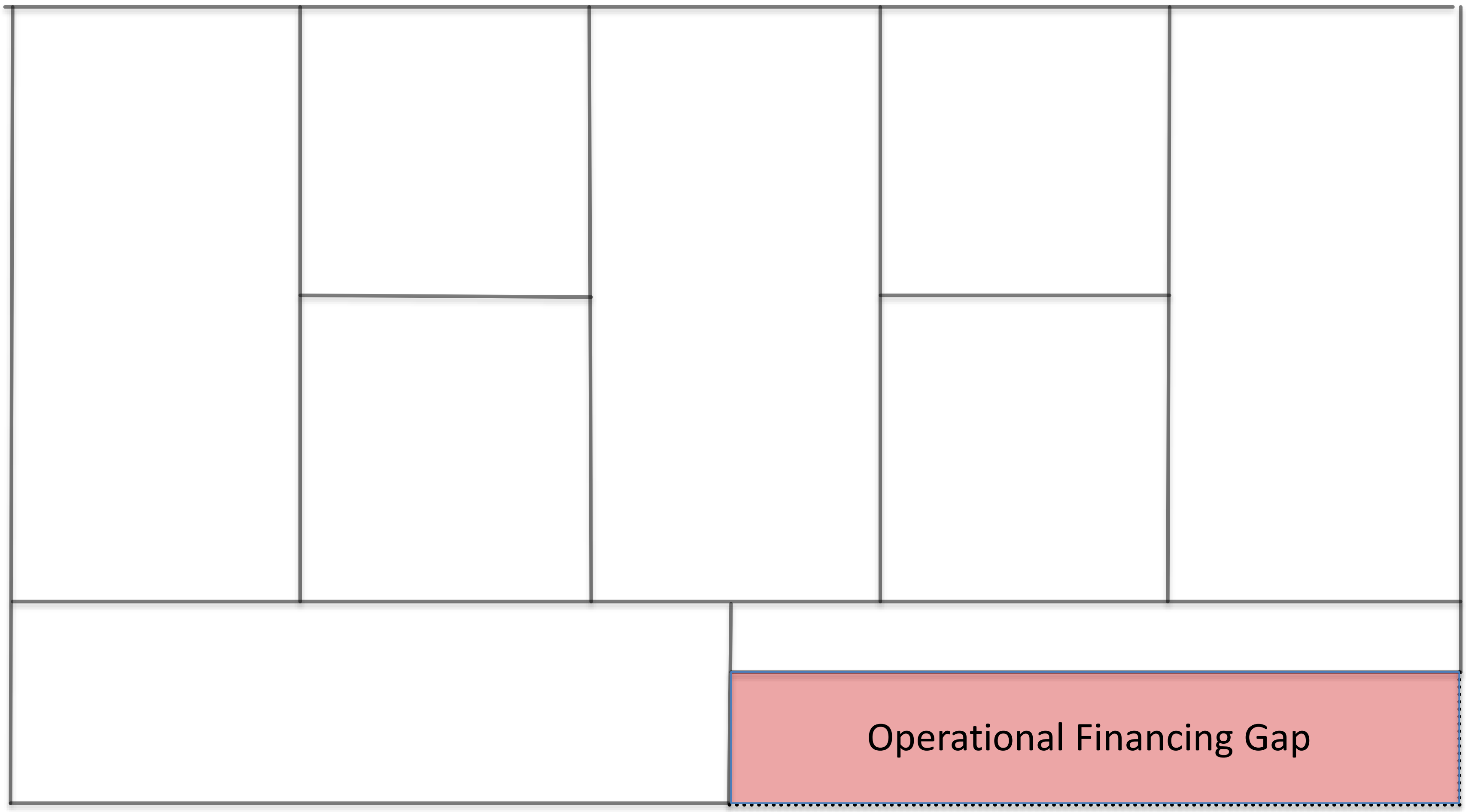
However, by having measurable social impact metrics, we can better attract financing from relevant resource owners (more on this later).

Incorporating a Financing Model into Business Model Design

Financing Challenges for Many Social Enterprises I – Non-Sustainable Operation (Revenue < Cost)



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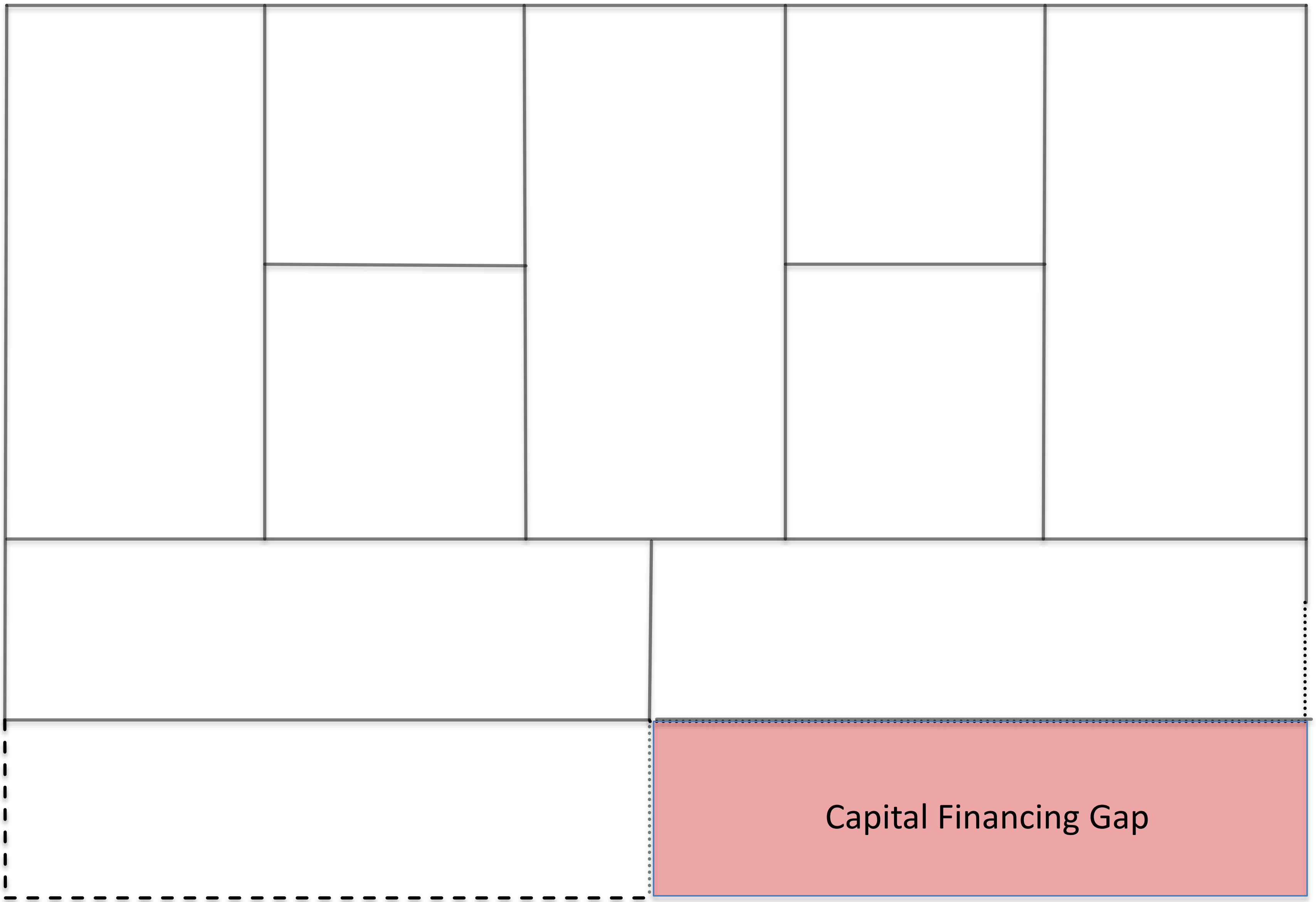
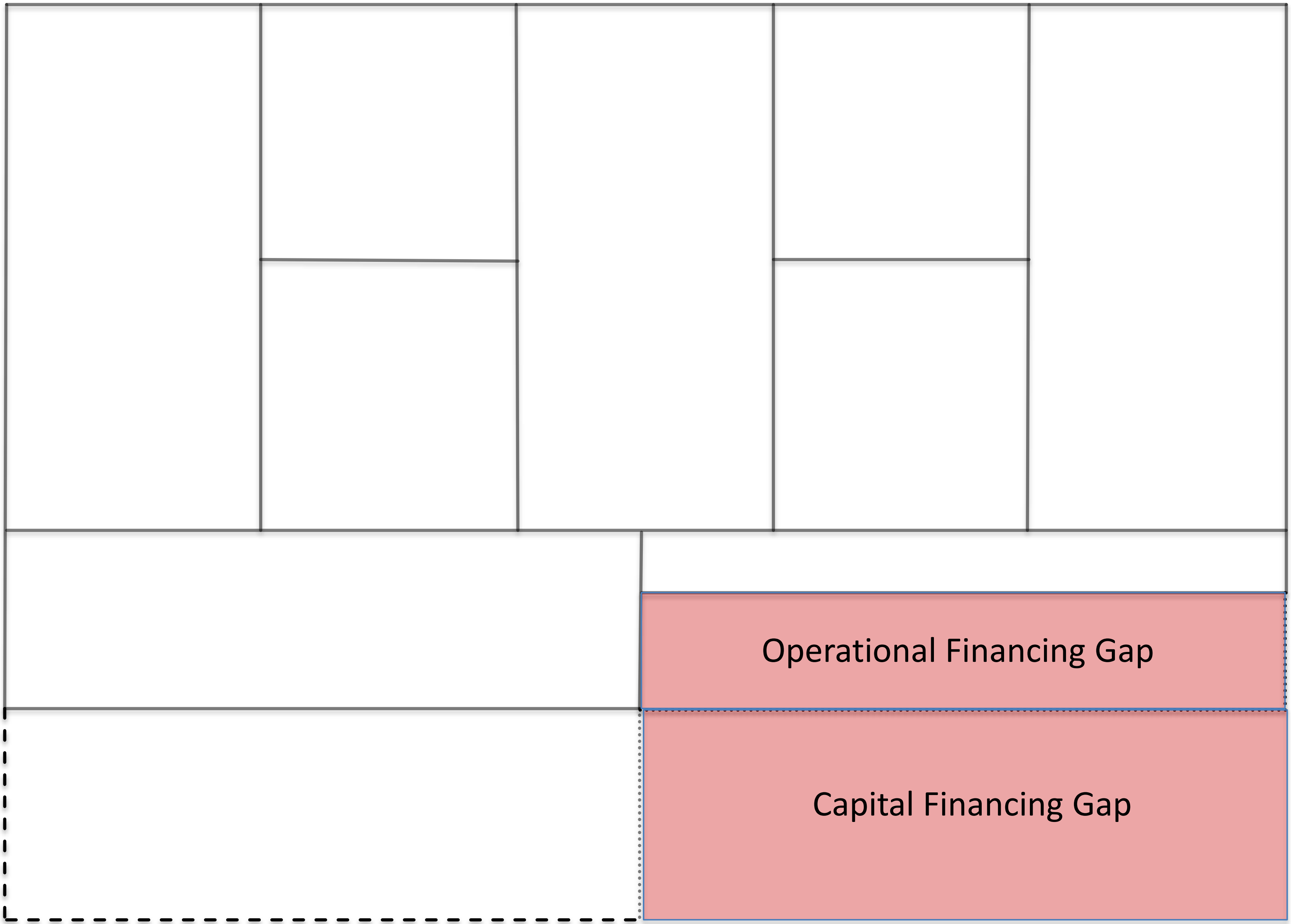
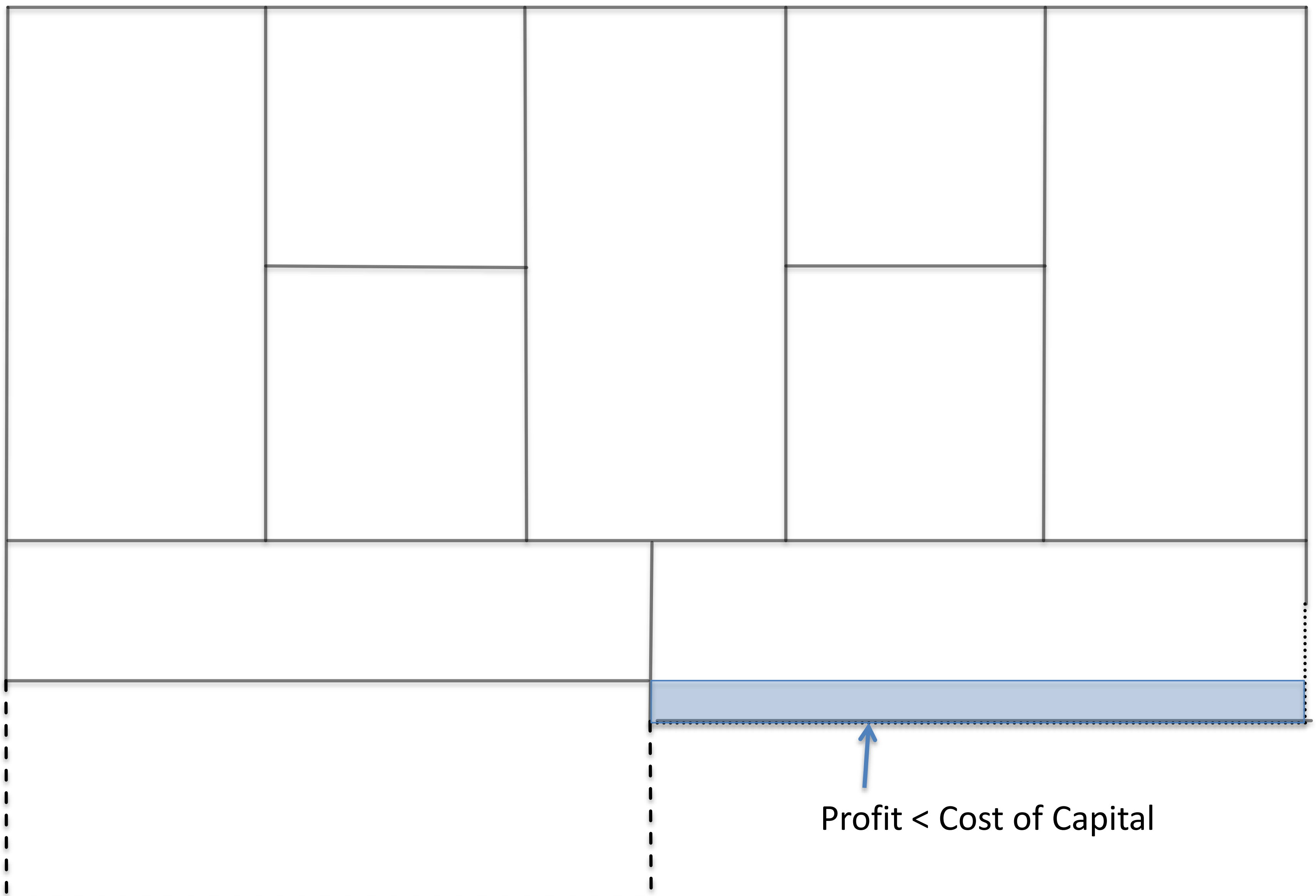
Financing Challenges for Many Social Enterprises II – Operationally Sustainable, but No Return on Capital (Revenue = Cost)



Financing Gap = Operational Financing + Capital Financing



Financing Challenges for Many Social Enterprises III – Insufficient ROI (Rev > Cost, but Profit < Cost of Capital)



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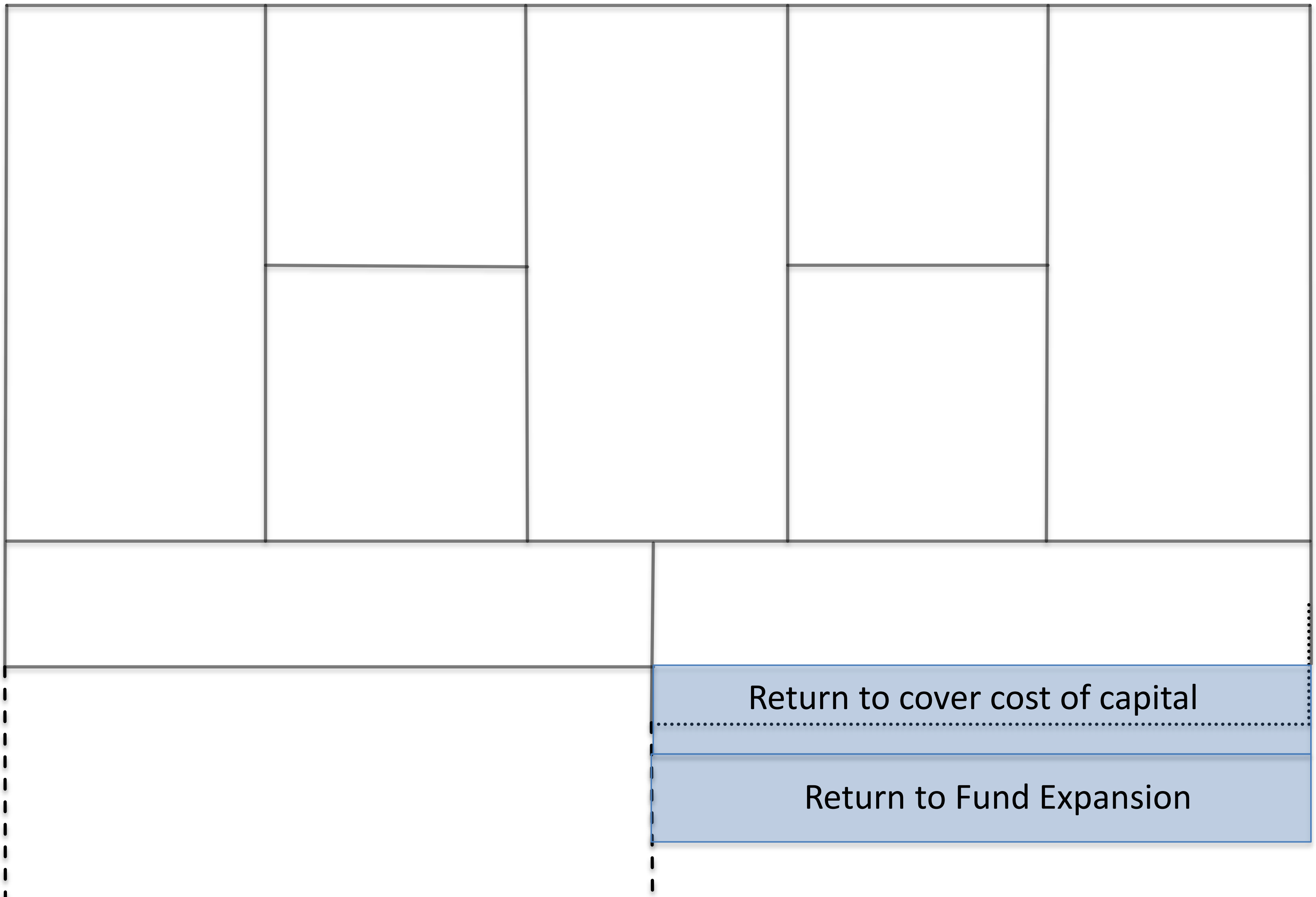
The Sustainable + Scalable Scenario



The Need for "Financing Model"

- Business Model Canvas helps us to identify the size and nature of the *financing gap* for any new venture
- To understand how a venture can meet its financing gap, we need to complement the "Business Model" with a *"Financing Model"*
  - Even normal for-profit businesses have financing gap
  - The challenge is more severe for "social purpose"-driven ventures

Financing for Profit-Driven Business

- Equity Capital
- Bank Loan
- Supplier Credits
- Customer Pre-Payment
- Bond
- Guarantees
- etc

What about Financing for Social Purpose-Driven Business ?

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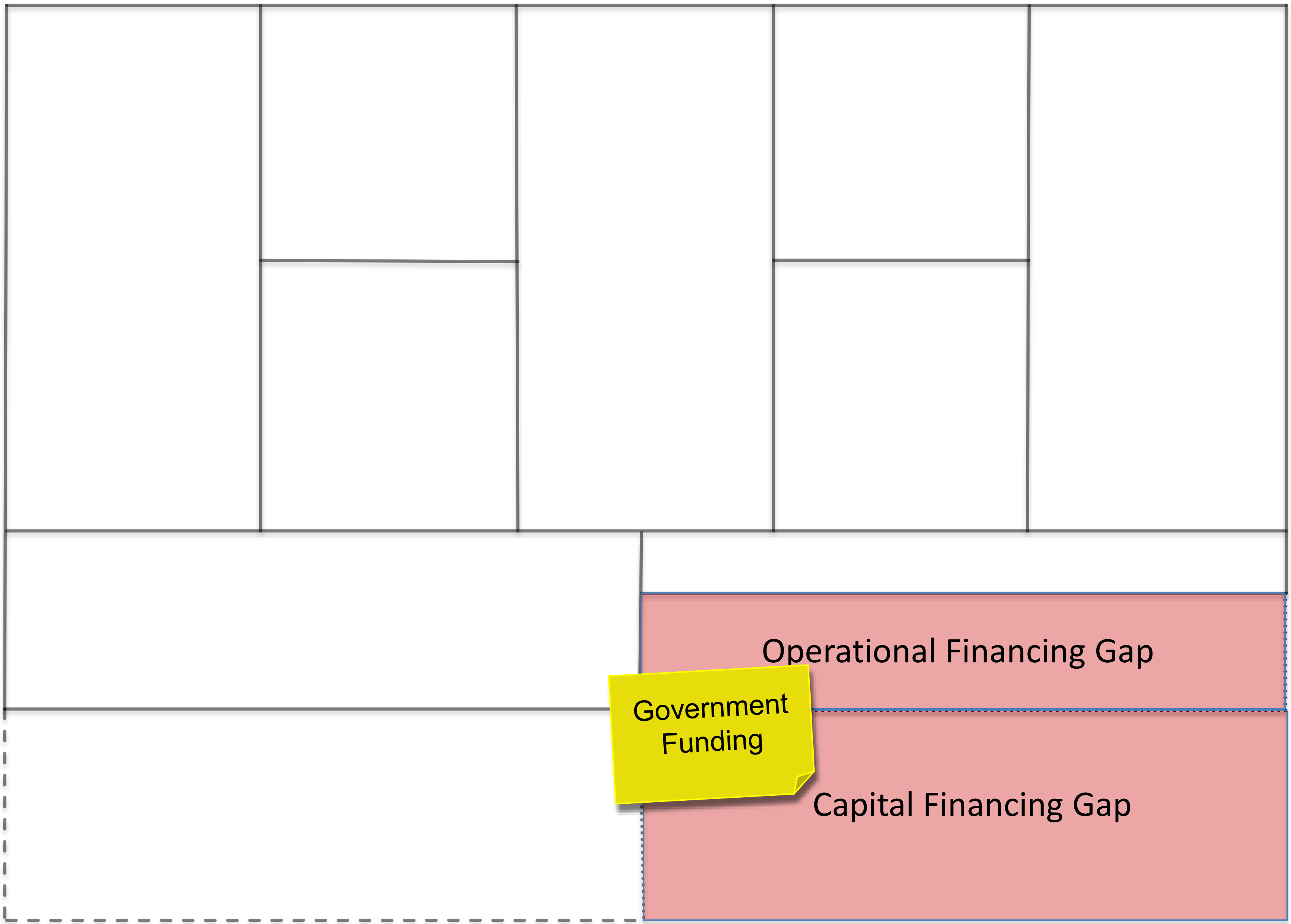
Public Funding



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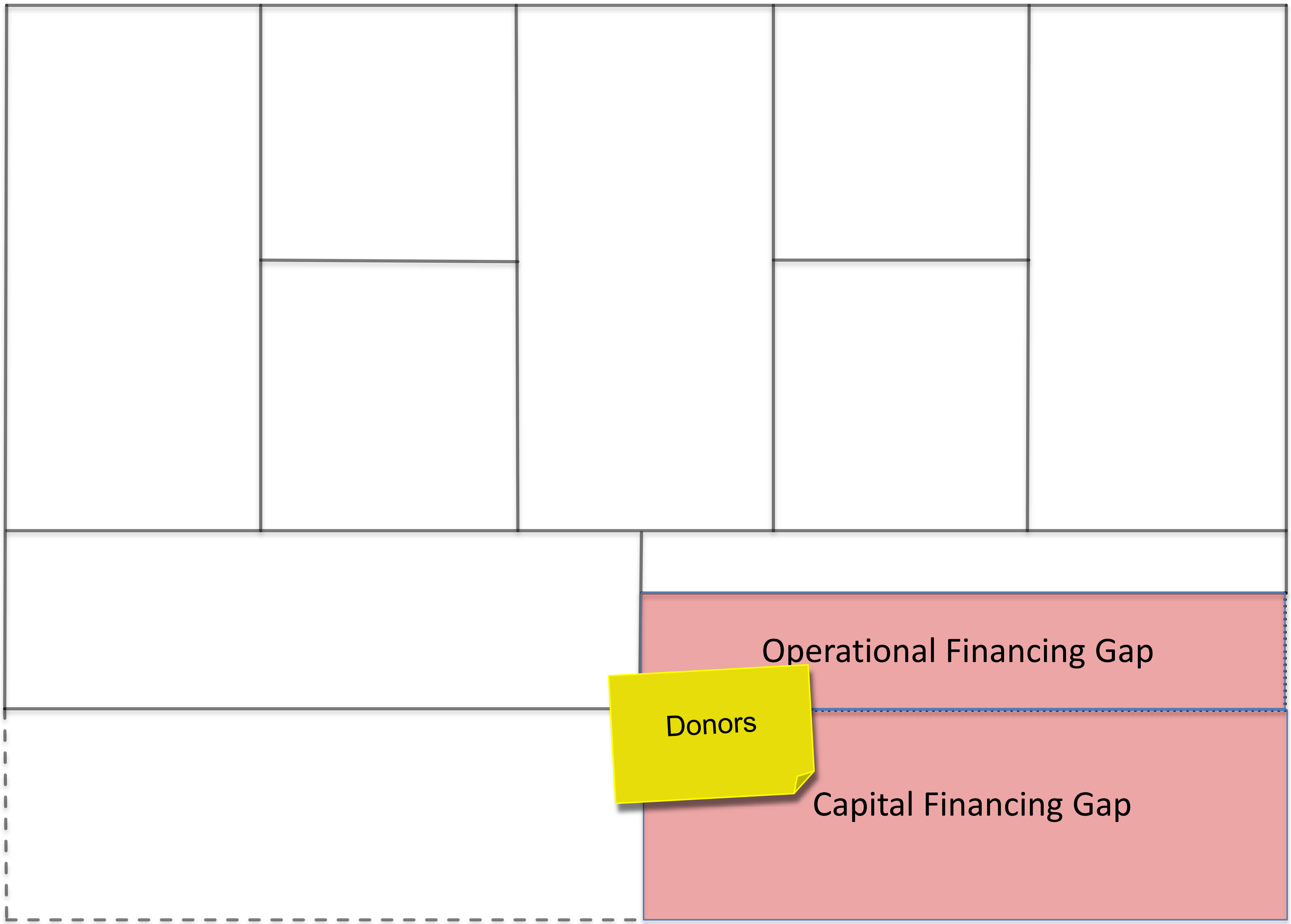
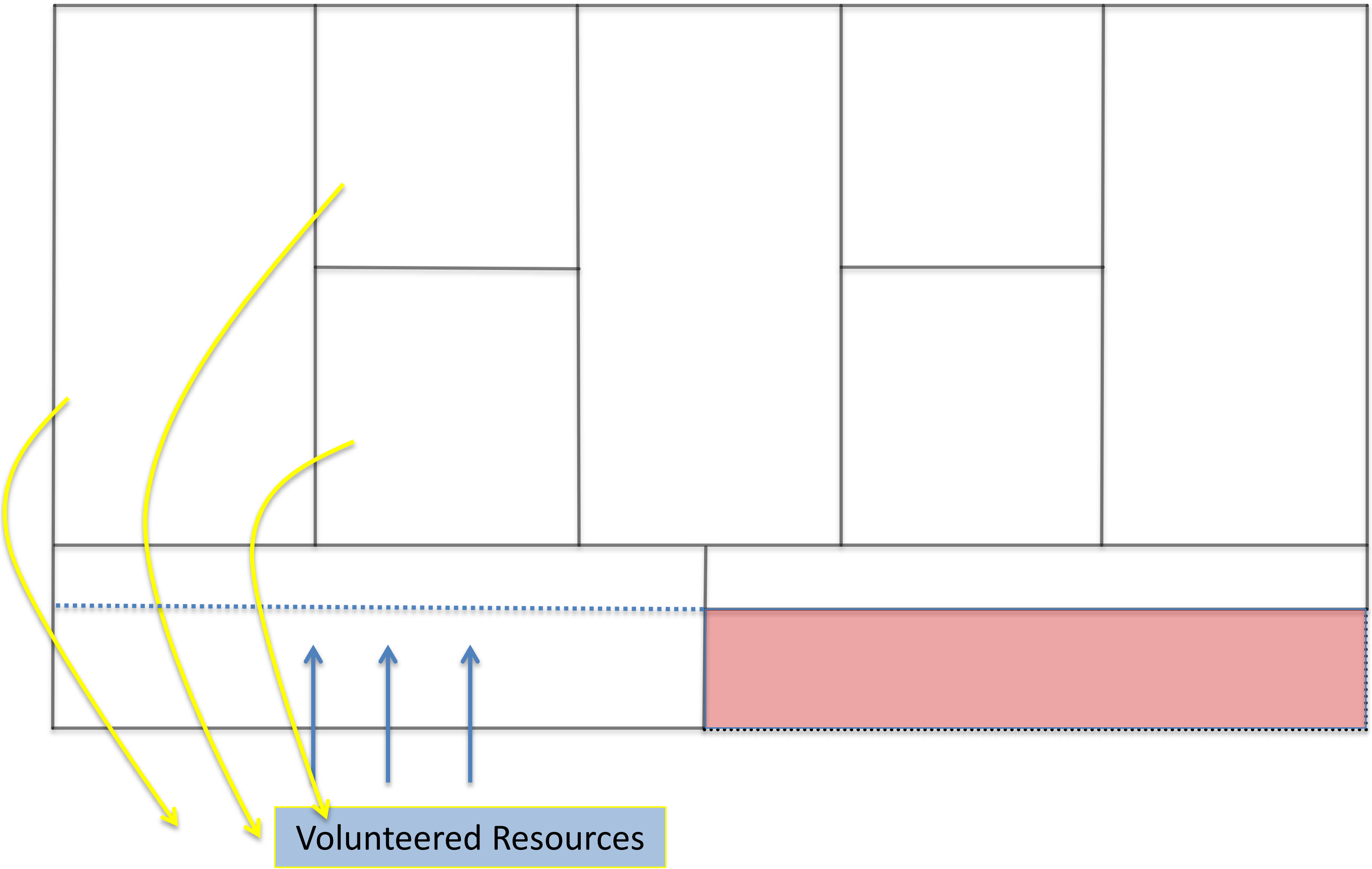
Charity



Volunteerism



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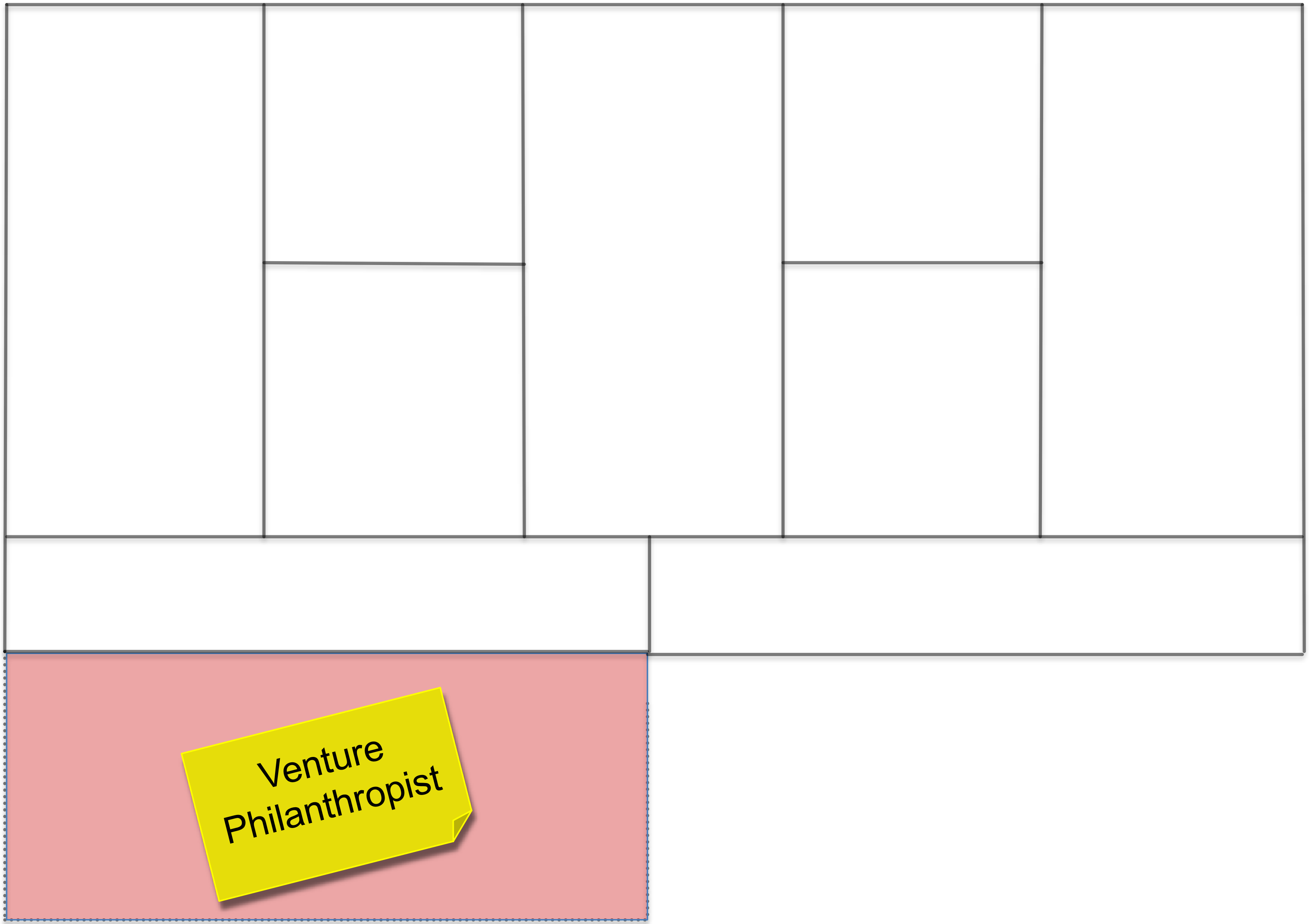
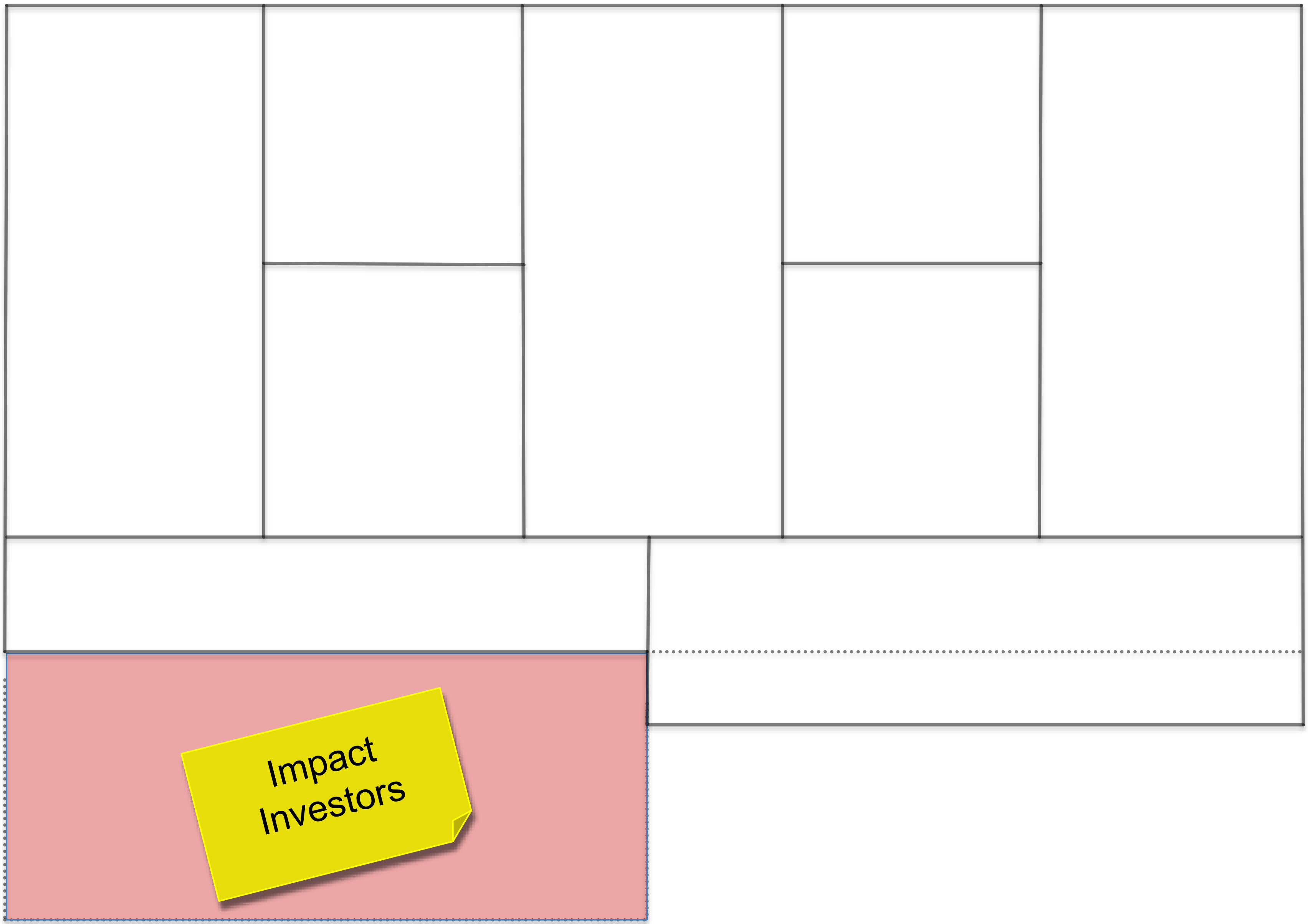
Venture Philanthropy



Impact Investment



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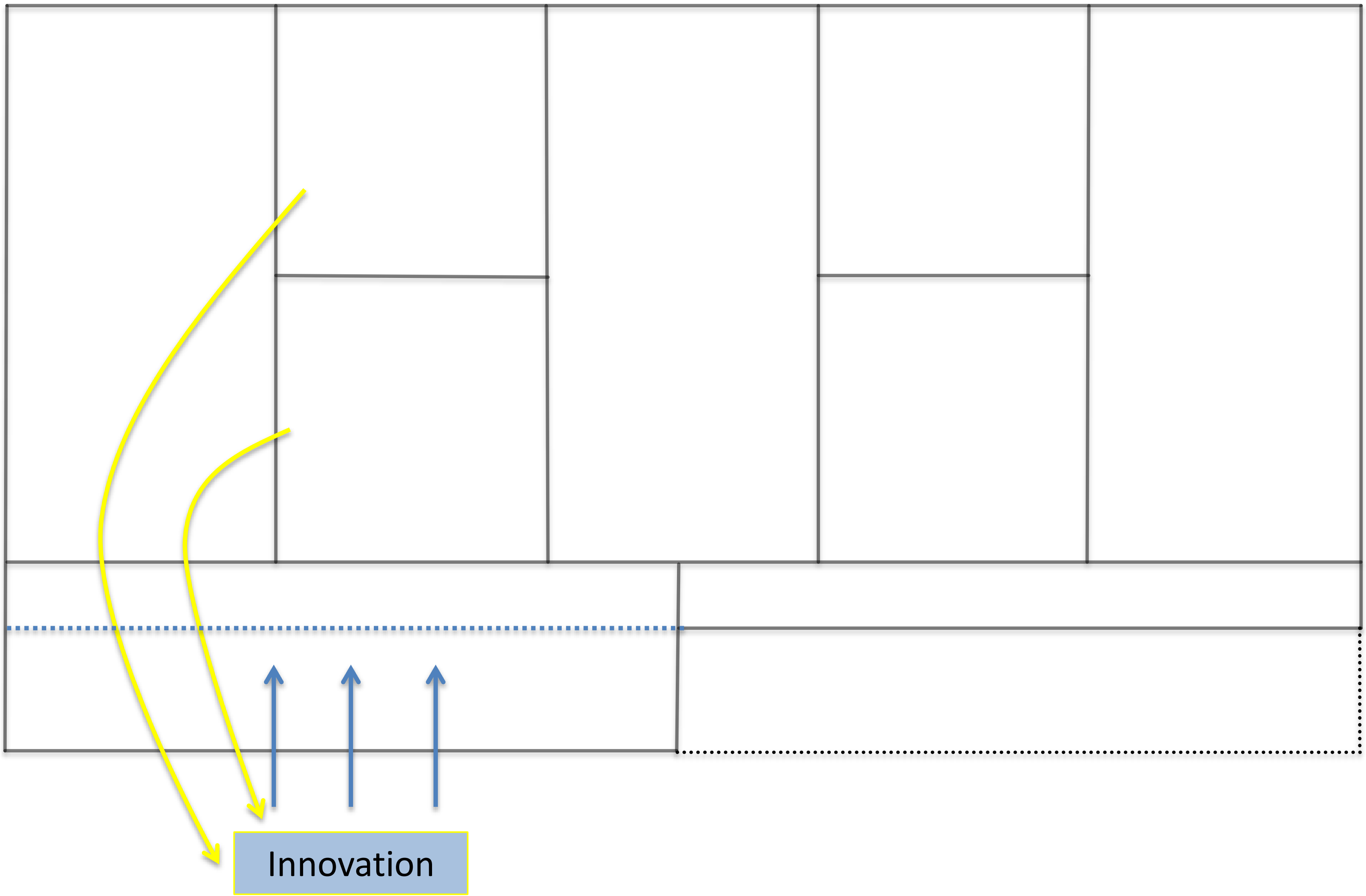
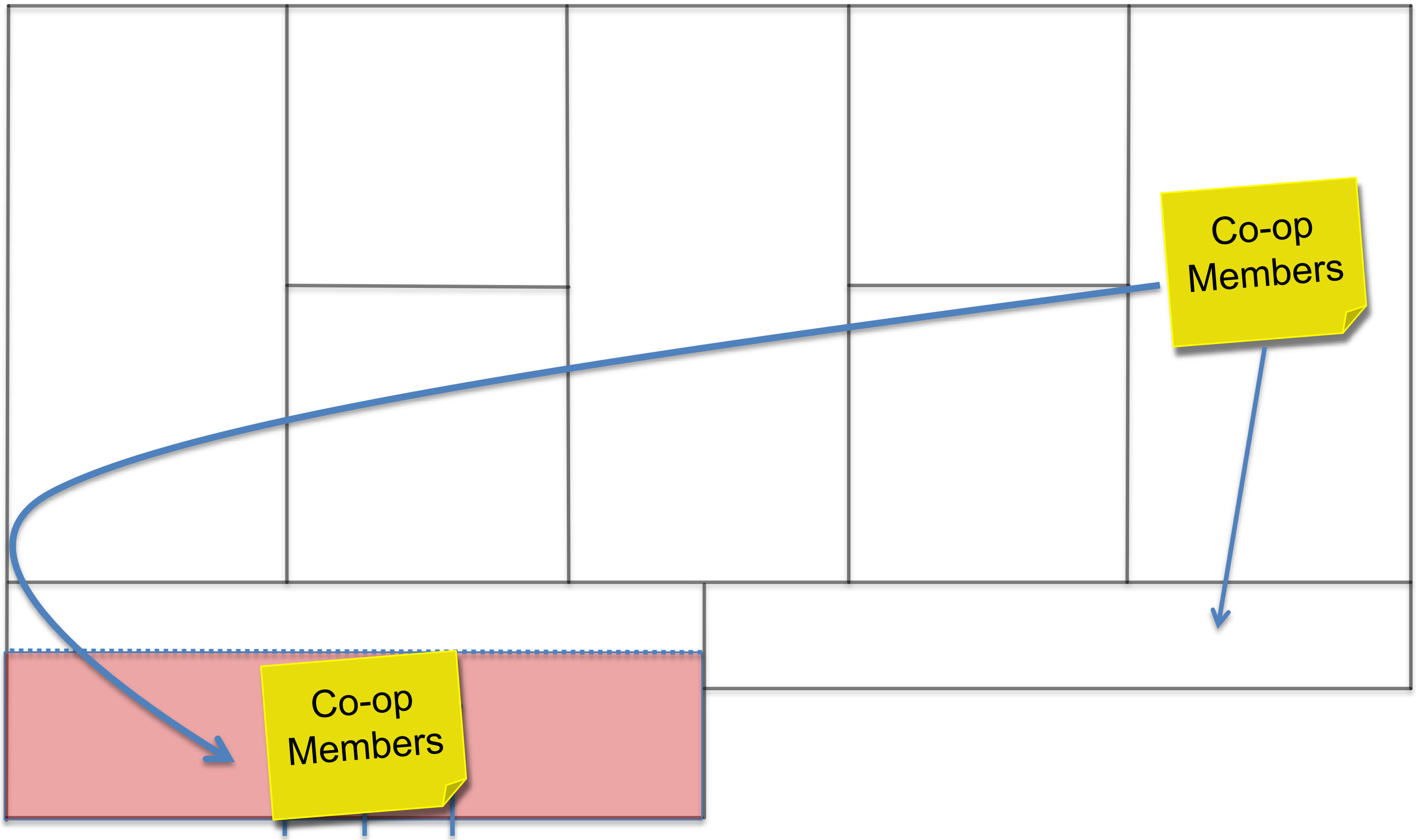
Innovation that Reduces Cost



Consumer Cooperatives



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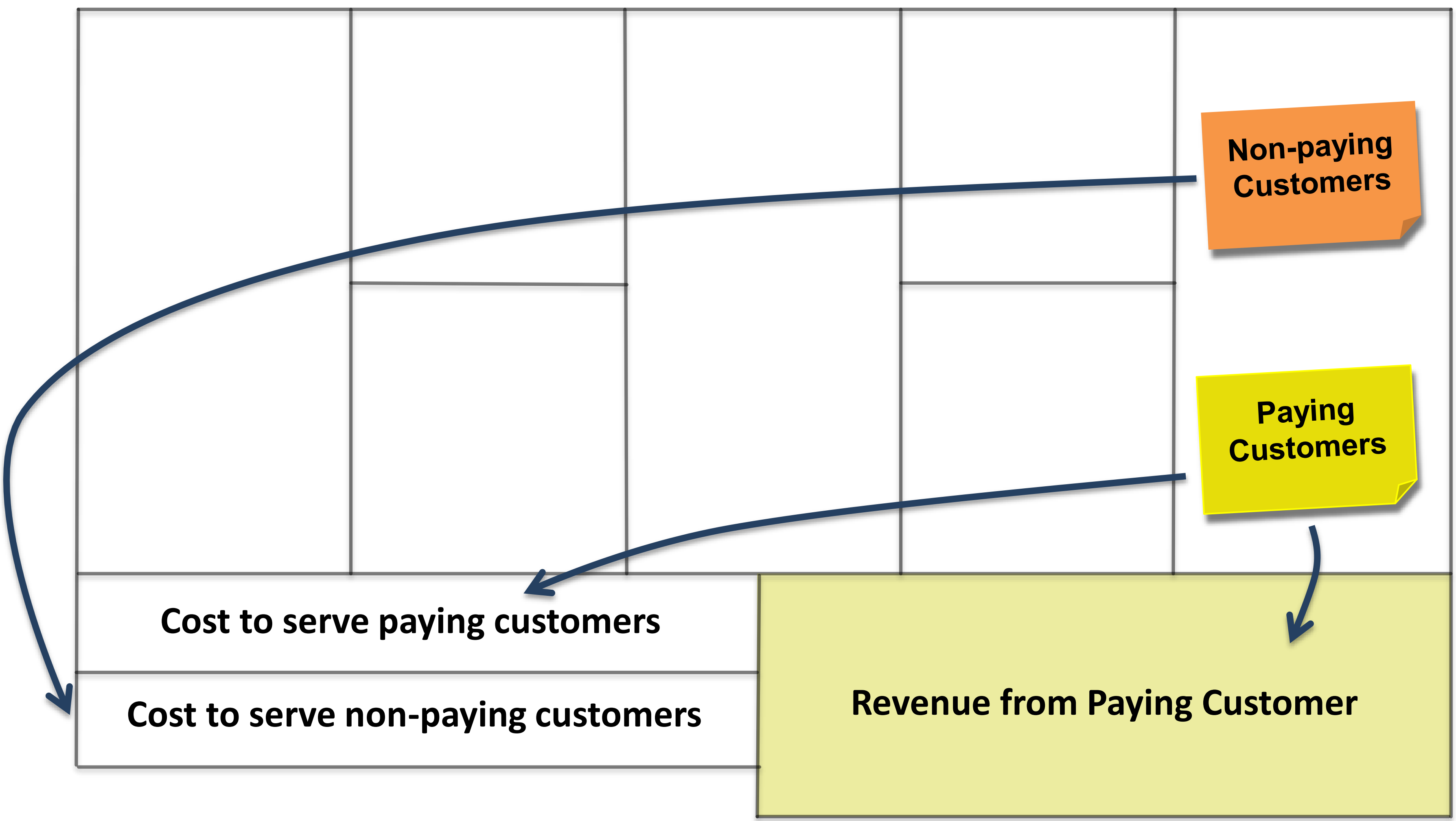
Cross-subsidization Model



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Cross-Subsidy Example

ARAVIND EYE CARE SYSTEM

- Aravind Eye Care is the largest eye care provider in the world, with over 4 million million operations performed and 32 million patients treated.
- Operating under a model of cross-subsidization over two-thirds of it's patients are treated for free.
- Lean principles in the Aravind model - process simplification, elimination of non-value economic activities, waste reduction and commitment to excellence in operations and customer service.
- Conrad N. Hilton Humanitarian Prize (2010), Gates Award for Global Health (2008), FCCI award for best private hospital in India

Photos: Aravind Eye Care System

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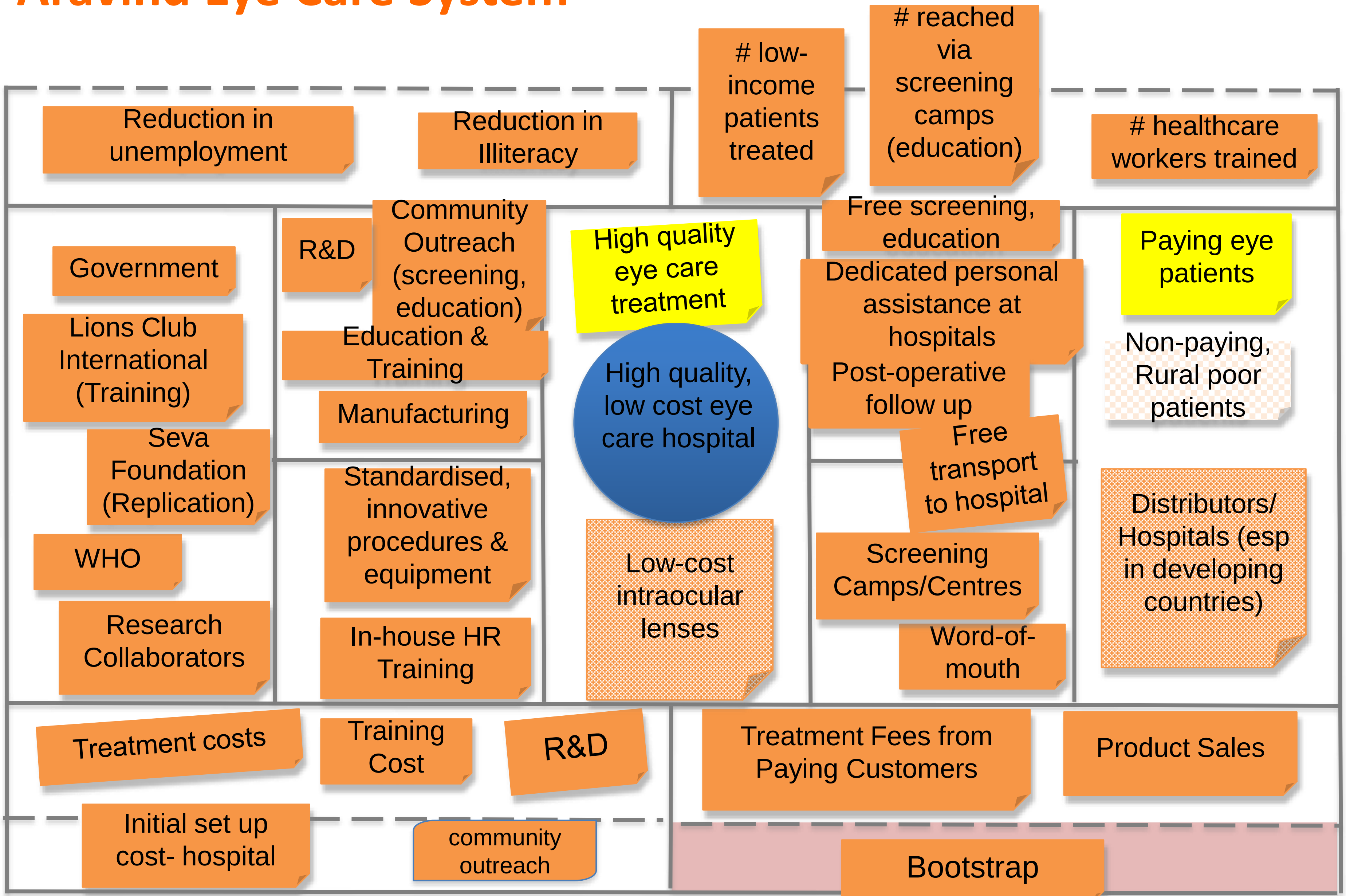
Aravind Eye Care System



Aravind Eye Care System Case Study

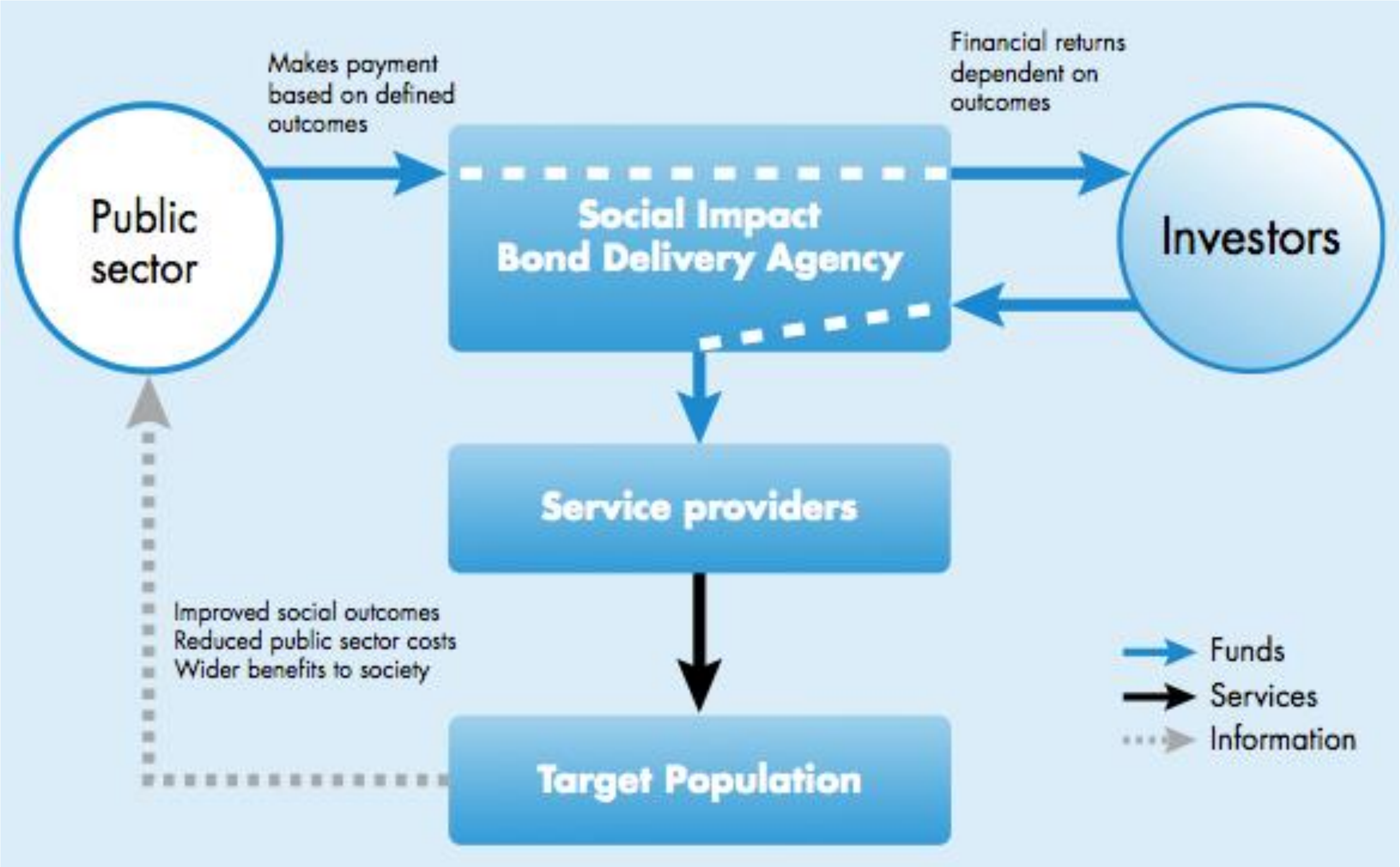
Source:

1. **Aravind Official Website**: http://www.aravind.org/
2. **Aravind Eye Care System: Giving Them The Most Precious Gift**, Profs. S. Manikutty and Neharika Vohra, Indian Institute of Management, Ahmedabad https://wiki.brown.edu/confluence/download/attachments/9994241/Aravind+case.pdf?version=1
3. **'We set prices not on our costs, but on who can afford to pay how much'**, Financial Express http://archive.financialexpress.com/news/-we-set-prices-not-on-our-costs-but-on-who-can-afford-to-pay-how-much-/233536/0

Having measurable social impact metrics can also enable the introduction of

innovative financing models.

Social Impact Bond



[Source: http://www.nextbillion.net/blogpost.aspx?blogid=2179](http://www.nextbillion.net/blogpost.aspx?blogid=2179)

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Social Impact Bond Example

Measureable Impact Metrics

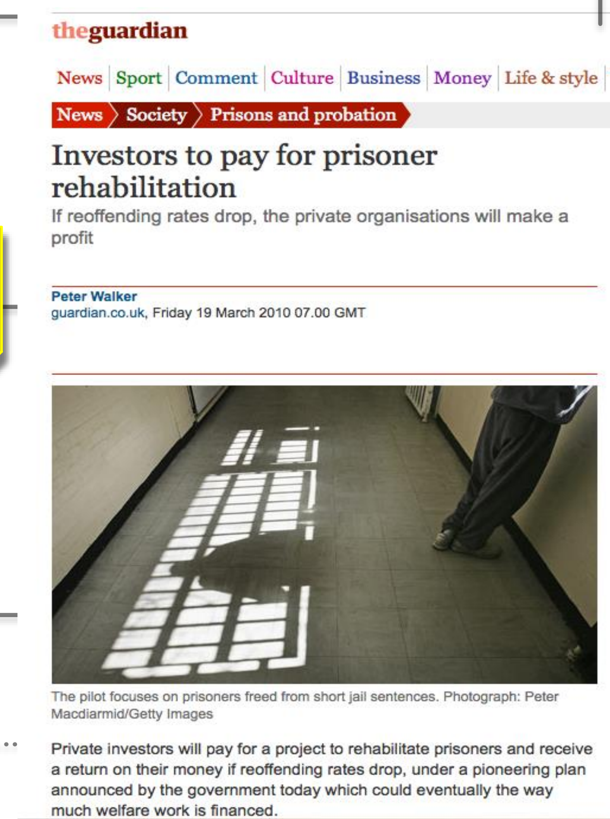
Private Sector Prisoner Rehabilitation Operator

Impact Bond Traders

Impact Bond Investors

Public Agency

Impact Bond Issuer



theguardian

News | Sport | Comment | Culture | Business | Money | Life & style

News › Society › Prisons and probation

Investors to pay for prisoner rehabilitation

If reoffending rates drop, the private organisations will make a profit

Peter Walker
guardian.co.uk, Friday 19 March 2010 07.00 GMT

The pilot focuses on prisoners freed from short jail sentences. Photograph: Peter Macdiarmid/Getty Images

Private investors will pay for a project to rehabilitate prisoners and receive a return on their money if reoffending rates drop, under a pioneering plan announced by the government today which could eventually the way much welfare work is financed.

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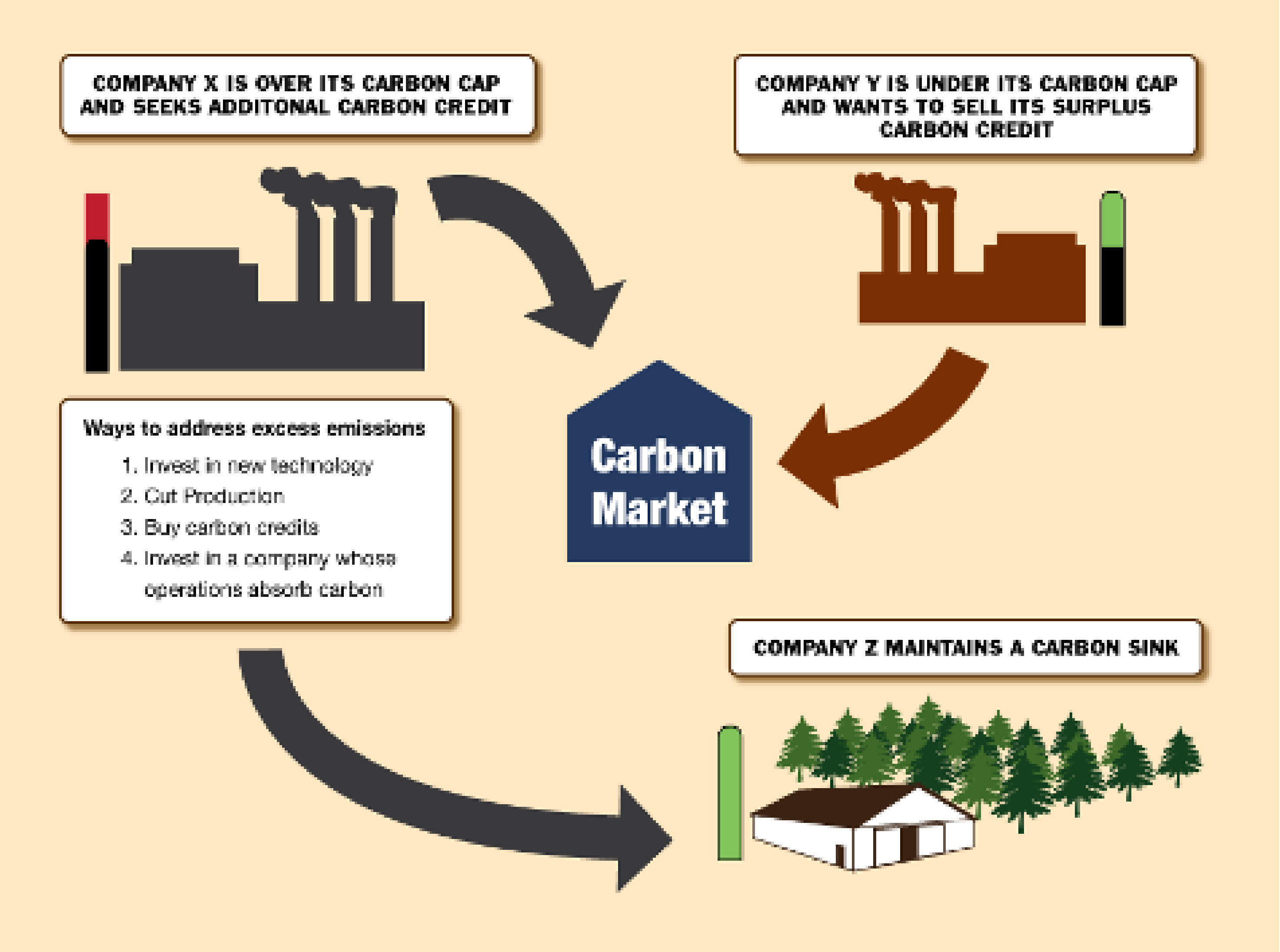
Financial Market for Measurable Impacts

- Certificate of Measurable Impacts (positive or negative) become tradable in secondary markets
  - Impact certification agency
  - Original impact credit owners
  - Impact Credit traders
  - Secondary Credit buyers

Example of Impact Trading: Carbon Emission



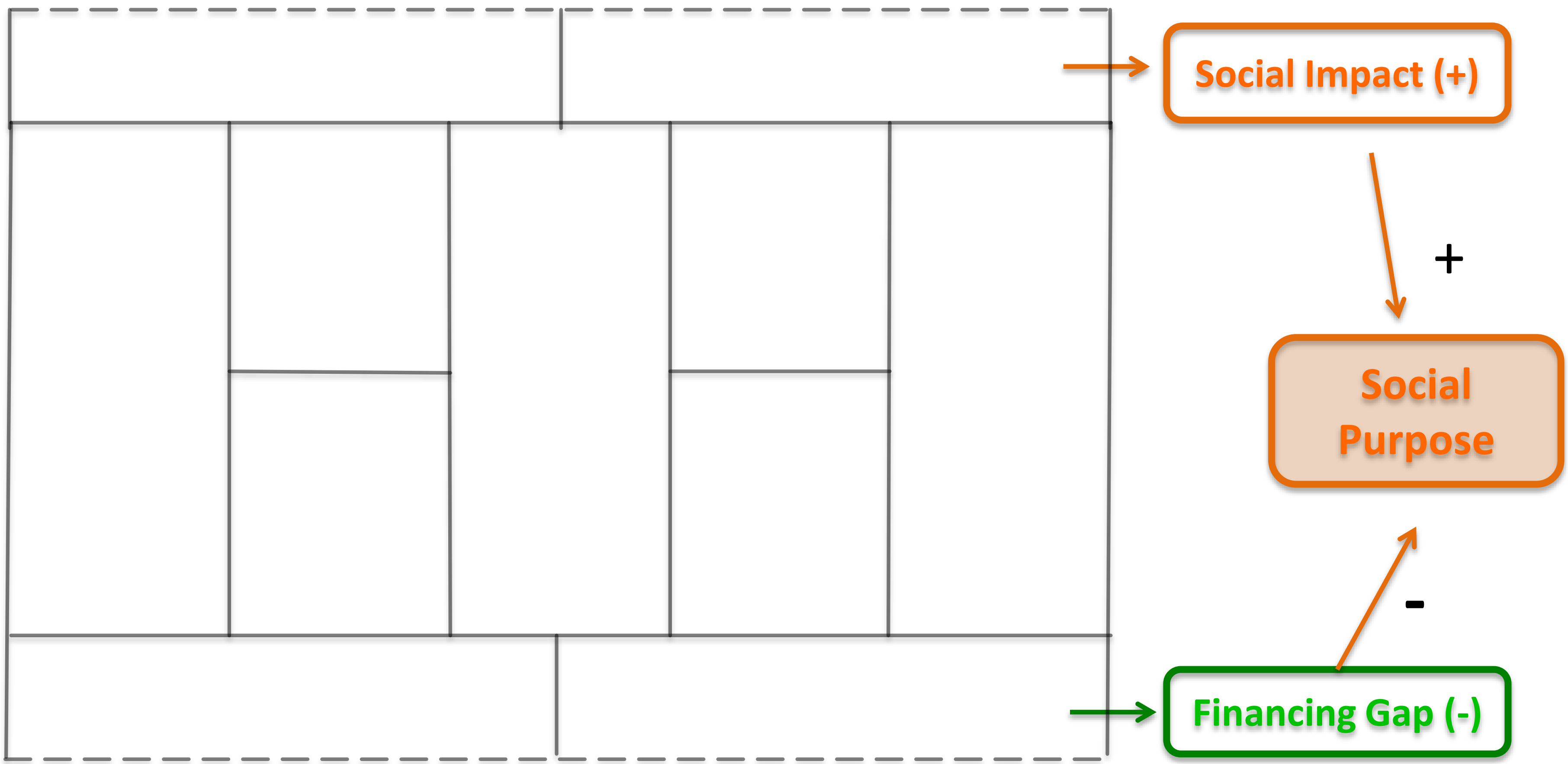
Source: http://www.watradehub.com/node/639

Example of Crowdfunding for “Measurable” Social Impact

Financing vs. Impact Tradeoffs

- Some purpose-driven ventures have business models that enable them to achieve both Financial Viability AND Positive Social Impacts – Positive Double Bottom-lines
- Even such social ventures face a trade-off between greater profitability vs. higher impact
- Most social ventures are unable to achieve positive double bottom-lines: they usually have business models that achieve positive social impacts but are not financially viable

Financing vs Impact *Trade-Off*...



Workshop Group Exercise II

- Kids from Poor Families are not able to develop their artistic interests and potentials
- A Social Entrepreneur's Idea: Run an arts enrichment class for such kids of kindergarten/ primary school-age
- Her Challenge: How to make the venture financially sustainable and scalable?

Workshop Group Exercise III

- Many elderly women are not gainfully employed but have good cooking skills
- A Social Entrepreneur's Idea: Employ these women to run cooking classes for young professionals & teenagers
- Her Challenge: How to make the venture financially sustainable and scalable ?

From "Financing Model" to "Stakeholder Model"

- Every form of financing brings with it a new "stakeholder" whose "purpose" may be different from that of the original entrepreneur's purpose
- In considering the type of financing model, an entrepreneur must therefore understand whether and how his/her purpose can be "aligned" with that of the new stakeholder(s)
  - Even normal for-profit businesses have to take into account the obligations to, and constraints by, the "stakeholder model"
  - The challenge is more severe for "social purpose"-driven ventures

What is the “Purpose” of…

- A Bank Lender
- An Angel Investor
- A Venture Capitalist
- A Corporate Investor
- An Owner of Publicly Listed Shares
- A Philanthropist
- A Government Agency
- A Volunteer
- A Corporate Sponsor

…and how does it affect the original purpose of the entrepreneur ?

Examples of Stakeholder Models

- For-Profit
  - Sole Proprietorship
  - Partnership
  - Privately-Held Limited Company
    - controlled by Founder
    - where certain classes of investors have special rights
  - Publicly-Listed Company
- B-Corporation
- Non-Profit Organization (NPO)
  - Public Charity, Private Foundation, Association, Society, Cooperative, etc
- "Blended" (Hybrid) Model ?

Case Example: The Hybrid Model of Embrace

- Embrace has developed an innovative, low-cost infant warmer for vulnerable babies in developing countries.
- Given the customer segment, Embrace initially chose to go the non-profit route – selling products at low price with only marginal "profits" to be reinvested back into the business.

But :

- underestimated capital required to go from concept stage to manufacturing stage, as well as costs associated with management and time required to fundraise
- foundations were not ready to take risks during early stages of development (and preferred to fund health care delivery not development)
- 80 % time spent on fundraising
- difficulty in using raised capital for operations, salaries, inventory management

- Even if they went down the purely for profit model, governments and hospitals on the ground were not inclined to work with them.

Photo: Embrace

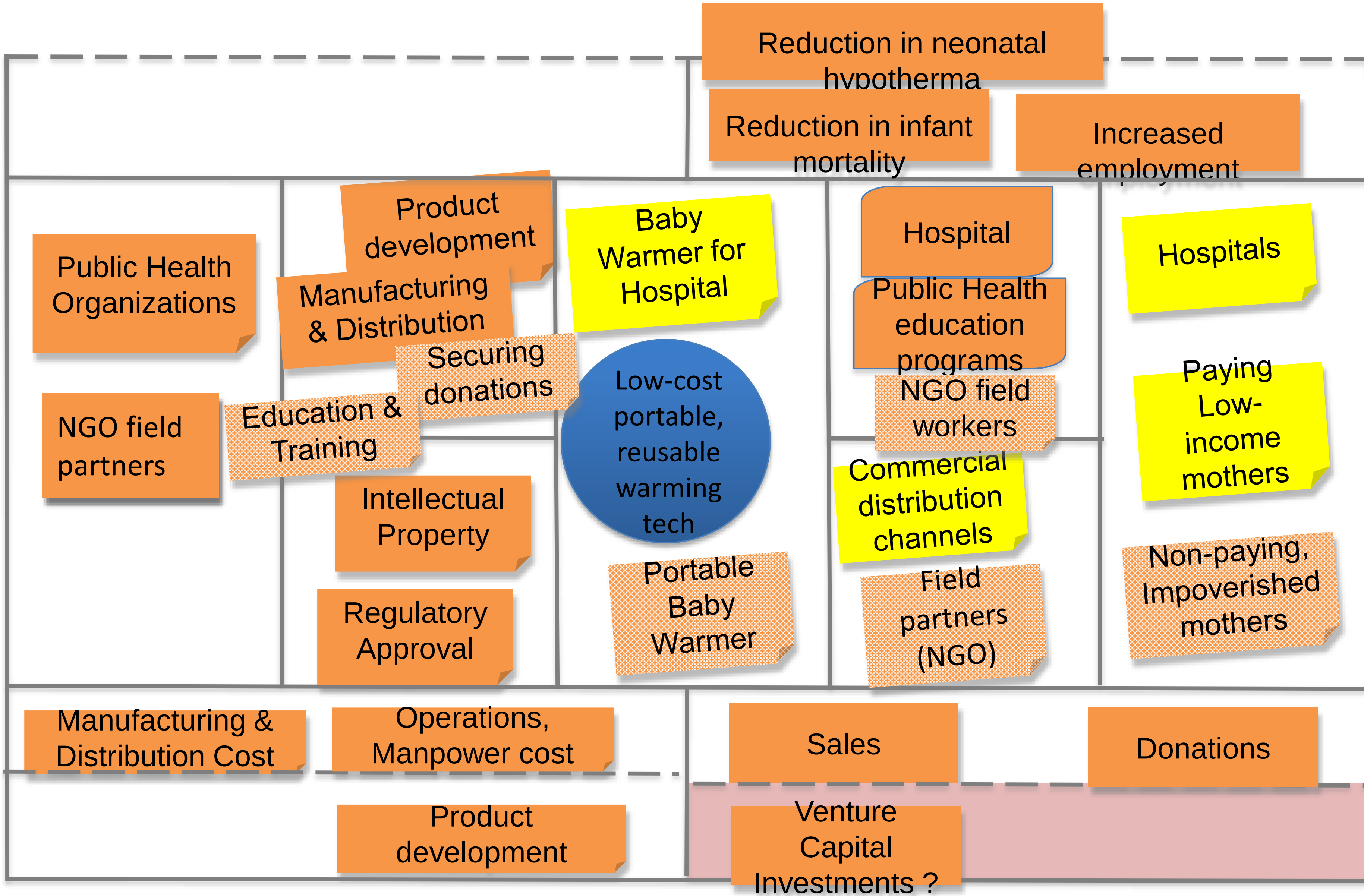
embrace

Solution – Hybrid Model

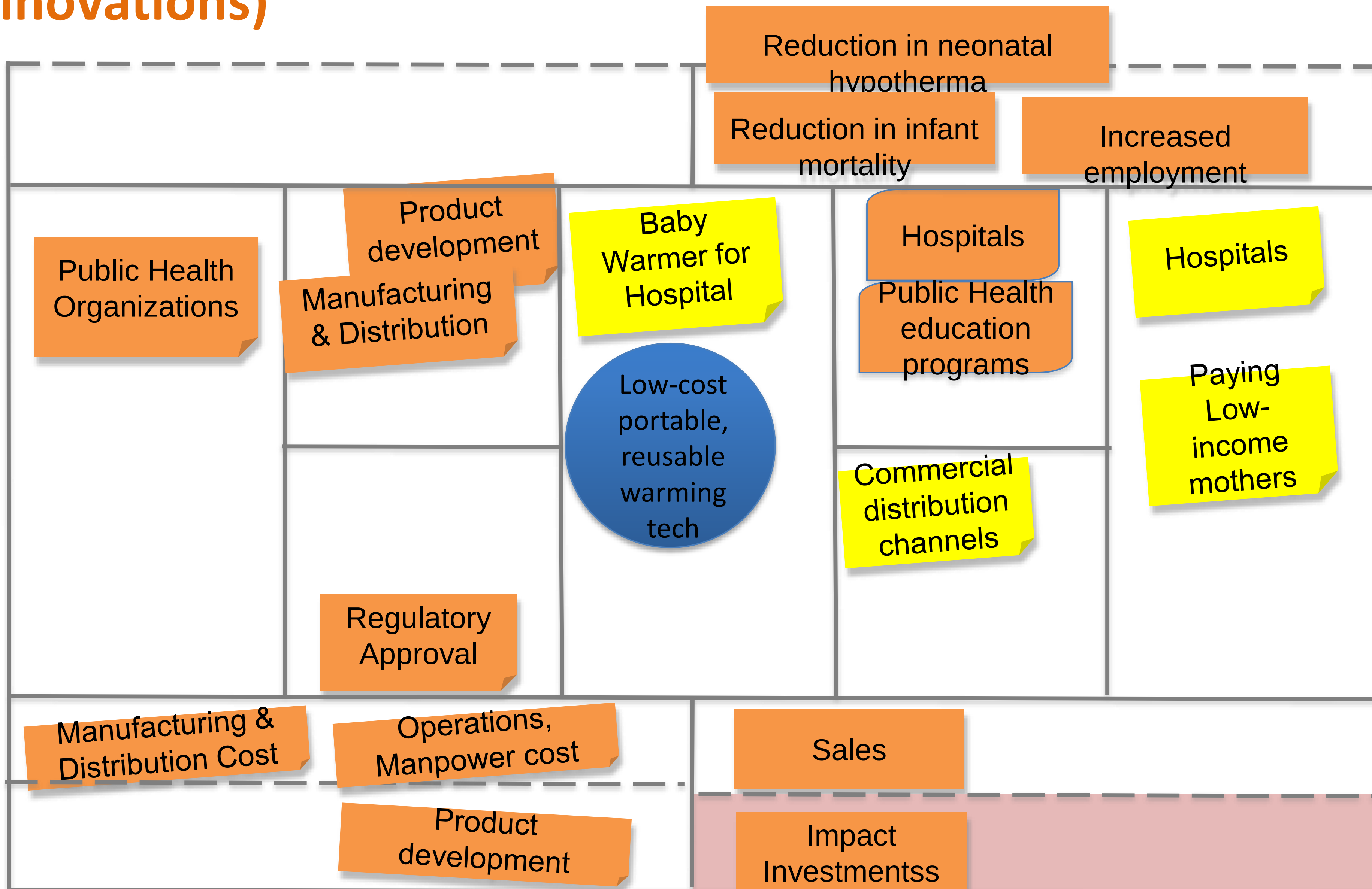
- **Hybrid model** – non-profit free distribution (Embrace Global) combined with for-profit commercial sales (Embrace Innovations)
- Embrace Global - owns the intellectual property for the infant warmer technology and licenses it to the for-profit organization, which pays a royalty for each unit sold. It accepts philanthropic contributions (for distribution to NGO partners to reach the poorest communities and develop educational programs to promote newborn health)
- Embrace Innovation - raises its funding from venture capitalists and impact investors to fund the capital intensive work of research and development, manufacturing, clinical testing, and establishing the sales and distribution infrastructure to sell the product to customers who can afford to pay for it.
- Benefits : allows them to leverage private capital, in addition to Philanthropy and serve all segments of the market with our product."

Photos: Embrace

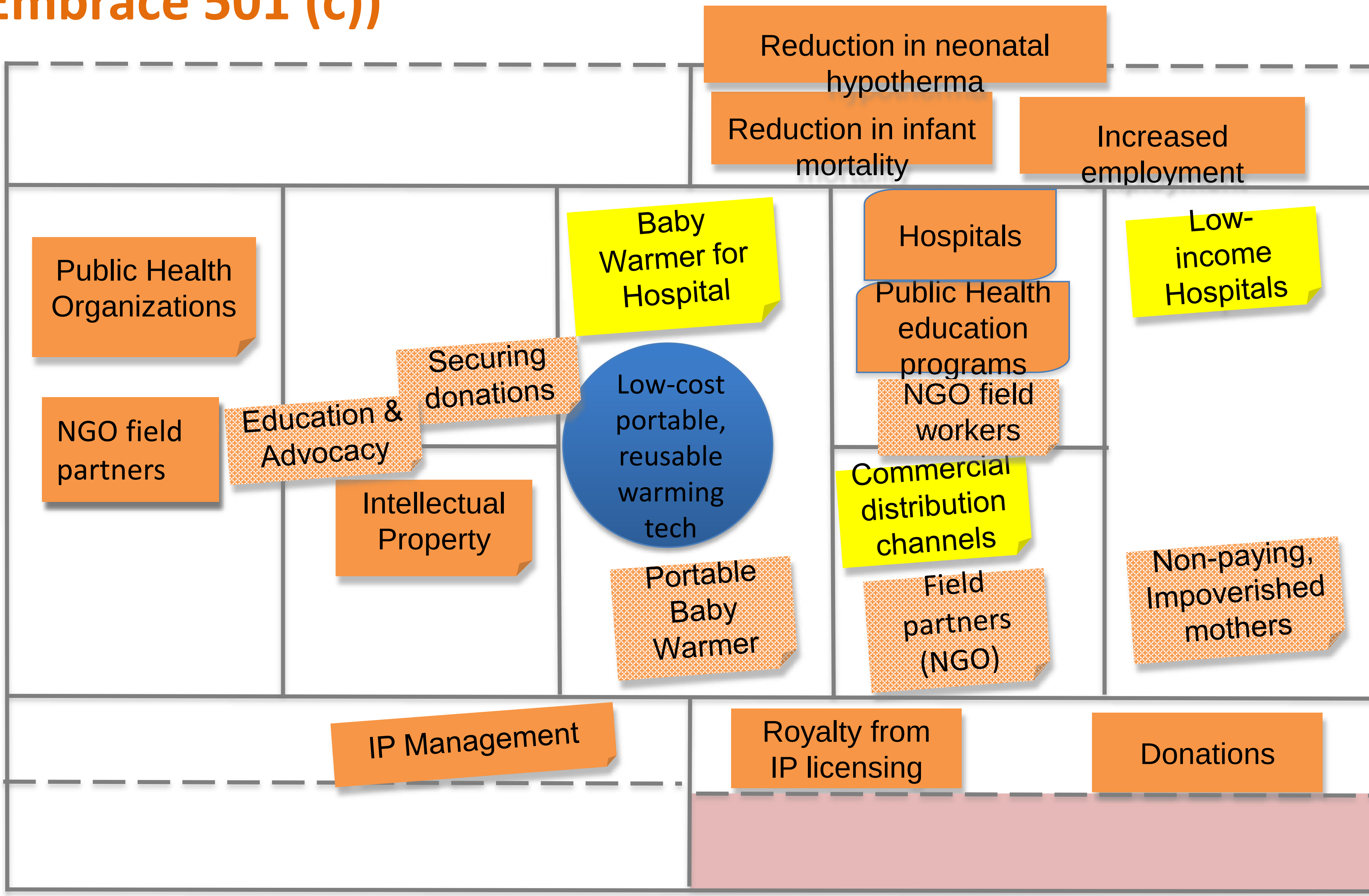
Initial Integrated Business Model



For-Profit Business Model (Embrace Innovations)



Non-Profit Business Model (Embrace 501 (c))



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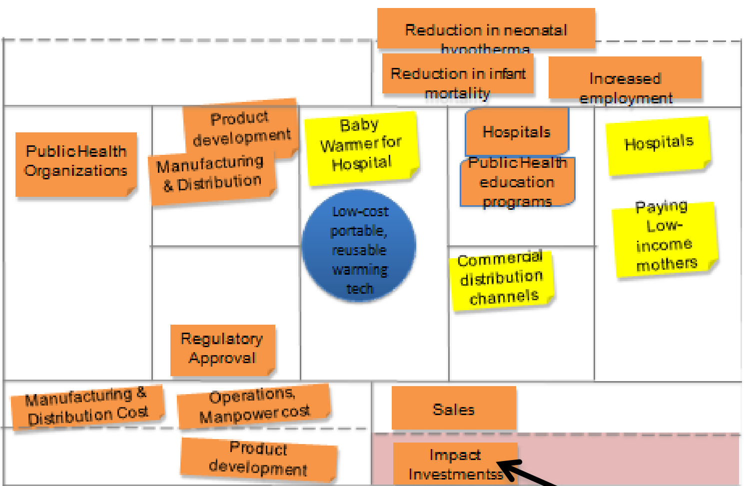
Embrace Innovation : For-profit Model

Founder's Purpose: save the lives of low birth weight and premature infants by distributing an inexpensive and effective infant warmer



Shared Purpose : sale of infant warmers to customers who can afford it

Financial Impact: Generate profits that contribute (as royalty payments) to fund Embrace Global's activities

Financing Requirements : product development, R&D, Clinical trials

Stakeholder Model : Equity investments from impact investor

Stakeholder Purpose : commercial sale of effective and innovative infant warmers

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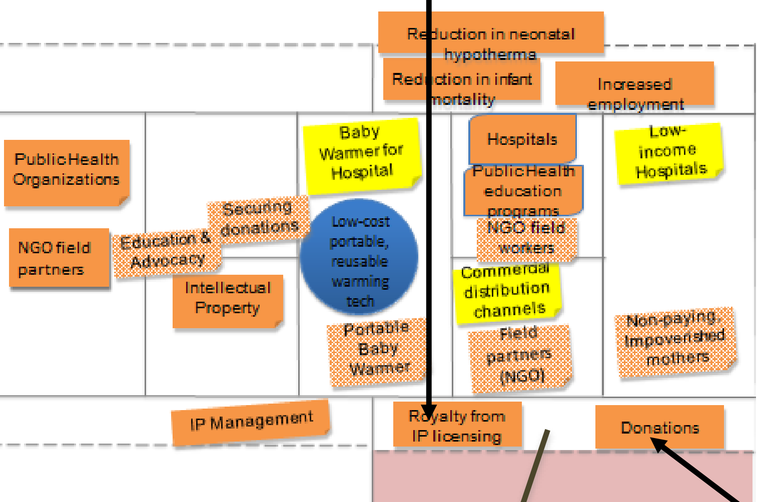
Embrace Global : Non-Profit Model

Founder's Purpose: save the lives of low birth weight and premature infants by distributing an inexpensive and effective infant warmer

Profits from Embrace Innovation



Social Impact:
1 144000 infants reached
2. 4400 health works trained
3. 9200 mothers educated

Shared Purpose : Distribution of innovative infant warmers to low income population & provide access to healthcare and create employment

Financing Requirements : healthcare delivery/ distribution channels to low income mothers; Education & Training

Stakeholder Model : philanthropic donations for service delivery

Stakeholder Purpose : Distribution/sale of effective and innovative infant warmers to low income/vulnerable populations

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Embrace Case Study

Source:

1. **Embrace Official Web site**: http://embraceglobal.org/
2. **"Embrace: Deciding on a Hybrid Structure"**, Stefanos Zenios, Lyn Denend, Amy Lockwood, Stacey McCutcheon, *Global Health - Innovation Insight Series, 2012*http://csi.gsb.stanford.edu/embrace-deciding-hybrid-structure

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The B-Corporation

- Explicit Statement of the Purpose of the Organization to benefit society and the environment in specific ways *in addition to making profit*
- A New *Legal Form of Company ("Benefit" Corporation)* recognized in many states in the US that expands the fiduciary duty of directors to require them to consider non-financial stakeholders as well as the financial interests of shareholders. This gives directors and officers of such purpose-driven businesses the legal protection to pursue an additional purpose and consider additional stakeholders besides profit.
- Clear Metrics to Measure the Outcomes that are Aligned with the Stated Purpose (B-Corp *Certification*)

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What is a Good Social Enterprise Model ?

A *Feasible* Business Model

that delivers the

Desired Social Impacts

in a

Financially Sustainable

and *Operationally Scalable* Way

The complete purpose-driven business model design framework for social entrepreneurs

- Start with a clearly stated purpose and a set of impact metrics to measure purpose achievement
- Use the Business Model Canvas to explore feasible and viable business models to achieve the desired impacts
- Explore the financing gap-impact trade-offs, and find a Stakeholder Model that is aligned with the Social Impact AND Financing Model
- Where necessary, adjust original purpose to achieve a Shared Purpose that is aligned with the Stakeholder Model needed to meet the financing gap

Social Venture Business Model Canvas

DBS - NUS Social Venture Challenge Asia

NUS National University of Singapore

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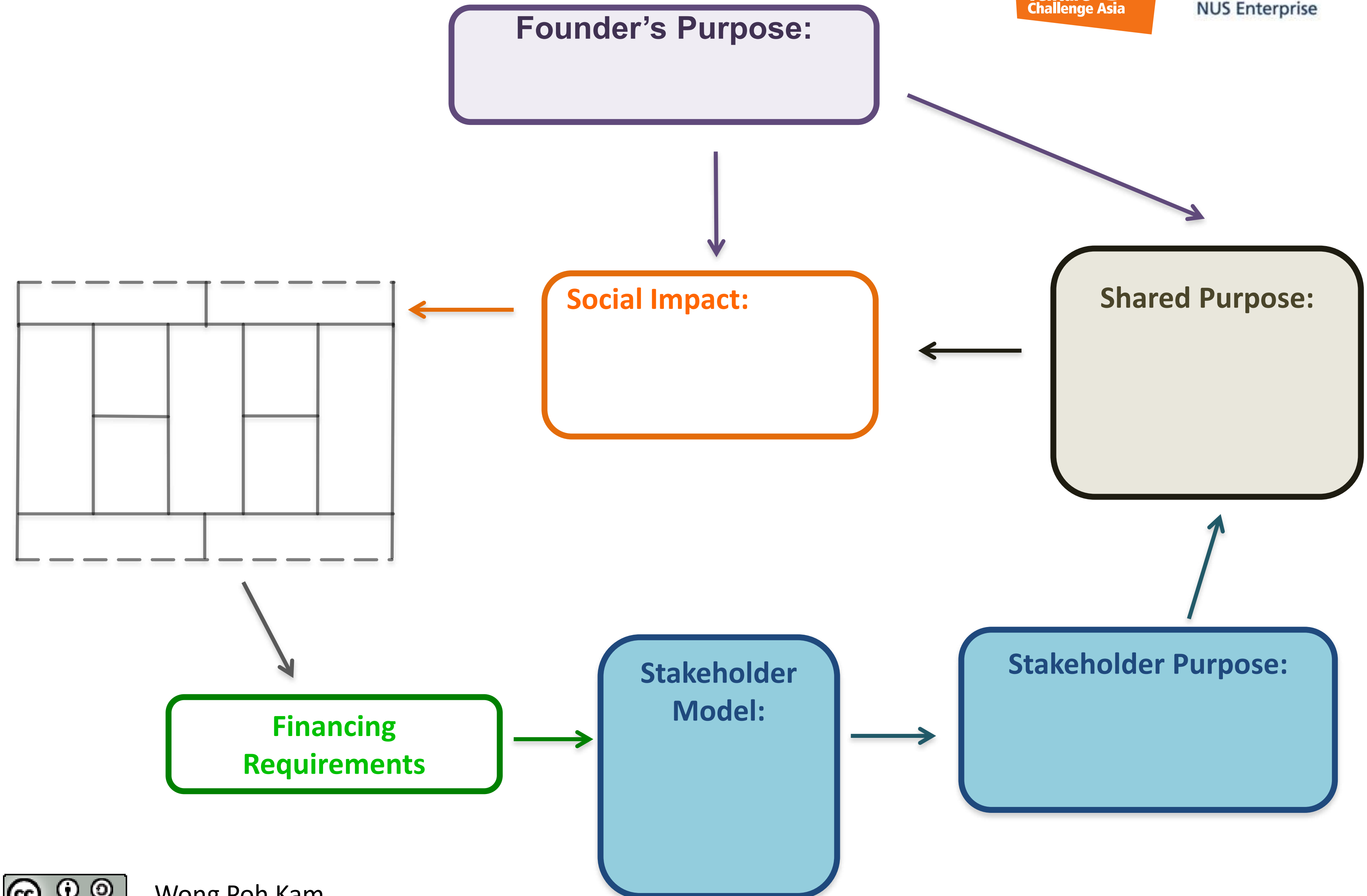
Negative Social Impact Reduced			Positive Social Impact Created	
Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
	Key Resources		Channels	
Cost Structure			Revenue Streams	

Purpose-Driven BM Design Template



Wong Poh Kam

Validating Your Business Model

- Problem Validation
  - What social problems are you trying to solve ?
  - Who have these problems?
- Solution Validation
  - Does your proposed solution meet the needs ?
  - Is your solution *feasible* ?
  - Is your solution *financially viable* ?

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Business Model is Nothing More than *GUESSES*

Negative Impact Reduce **Guess**

Positive Impact Createc **Guess**

Partners **Guess**

Key Activities **Guess**

Key Resources **Guess**

Value Propositions **Guess**

Customer Relationships **Guess**

Channels **Guess**

Customer Segments **Guess**

Cost Structure **Guess**

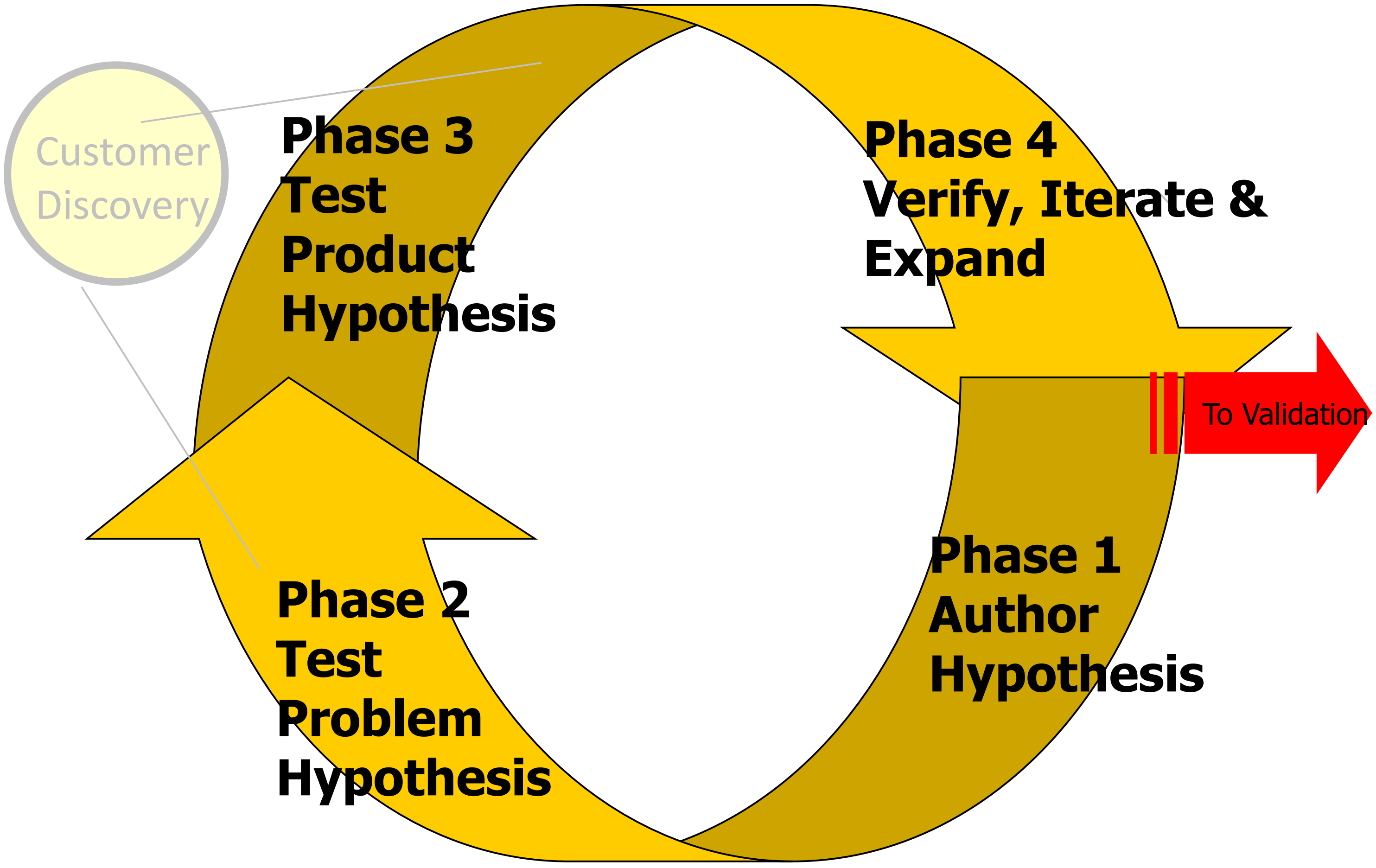
Revenue Streams **Guess**

Validating Your Business Model Guesses

- LEAN-STARTUP Philosophy
  - Rapid Iterative Learning
  - Low Cost Search, Agile Engineering, Fail Fast & Early
- "GET OUT OF THE BUILDING"
  - Talk to Potential Target Beneficiaries
  - Talk to Potential Customers & Partners
- TEST and REVISE your guesses
  - Which guesses are invalidated ?
  - What new guesses can be generated from the insights learned ?
  - Is a major PIVOT needed ?
- Only Write Detailed Business Plan after the Validation Phase

How NOT to Launch a New Business: The Case of Webvan (1996-2001)

Business Model Validation



Source: Steve Blank

Validating Your Financing & Stakeholder Model

- Financing Model Validation
  - What is the initial financing shortfall?
  - What is the path to financial sustainability ?
- Stakeholder Validation
  - Who can provide the financing ?
  - How can their purpose be aligned with yours ?

Workshop Individual Exercise II

- Use the Purpose Driven BM Design Framework to visualize your purpose, the business model you use to realize your desired social impacts, the financing requirements you face, and the stakeholder model you should have to meet the financing requirements
- Now, get out of the building to test and validate your models!

Acknowledgment

- The extensive assistance of Ms Prisca Lim of NUS Entrepreneurship Centre in the development of this workshop material is gratefully acknowledged

Feedback & Suggestions

- Your Feedback & Suggestion for improvement are greatly appreciated, please kindly send any query or suggestion for improvement you have to pohkam@nus.edu.sg
- This presentation is downloadable from http://enterprise.nus.edu.sg/outreach/social-venture-lab and http://socialventurechallenge.asia/resources
- A collection of case examples using the Social Venture Business Model Canvas will also be available on both
- If you are interested in contributing your own case examples, please contact pohkam@nus.edu.sg

Q&A

About Social Venture Lab@NUS

To jumpstart our Social Entrepreneurship Support program, NUS Entrepreneurship Centre (NEC) partnered the Grameen Creative Lab (GCL) in March 2011 to established the Grameen Creative Lab@NUS initiative. 2 years later, it was renamed to be

Social Venture Lab@NUS.

Social Venture Lab@NUS promotes and incubates innovation-based social ventures in Singapore that have the potential to generate scalable, sustainable social impact.

It achieves this through a whole host of events, initiatives and incubation support programmes and services.

Our Supported Social Ventures

NUS National University of Singapore

NUS Enterprise

Social Venture Lab@NUS

An Initiative of the NUS Entrepreneurship Centre

sustainable living lab SL2 TM

be movement

Celebrating the courage to be

GIVE singapore

SORGEN

BagoSphere

Milaap

Nusantara Development Initiatives

joytingle

CHILDREN FIRST, PATIENTS SECOND.

ebeecare

PROJECT skillseed

start now

championing volunteerism

JACKET

saught

DBS-NUS Social Venture Challenge Asia

An Asia-wide competition for social enterprises that is open to the public, identifying and providing multi-dimensional support for new social ventures, as well foster a culture of social entrepreneurship in Asia.

In its inaugural run from Sept ‘13 to May ‘14, over 400 entries were received with intended impact in 19 countries across Asia. In the 2nd run ending June ‘15, close to 700 entries were received from 30 countries

For information on the competition, please visit *http://socialventurechallenge.asia/*

About Myself

- Professor at NUS Business School researching & teaching Technology Entrepreneurship & Innovation Management
- Director at NUS Entrepreneurship, overseeing NUS Enterprise Incubator (NEI), which provides seed-funding, incubation and mentoring services to NUS-related start-ups
- Co-founded three companies in Malaysia in the 1980s
- Active Angel Investor in high tech startups in Singapore, Silicon Valley, China and India; Founding chairman of Business Angel Network Southeast Asia (BANSEA) & BAF Spectrum (an angel investment fund co-invested by S’pore Government); limited partner of iGlobe Platinum VC Fund
- Member of several Government Investment Panels & Committees (PSD’s TEC Program, SPRING Singapore’s TECS POC/POV Grants, Expert Group on Entrepreneurship Policy, IP Hub Masterplan Sub-Committee, Sub-Committee on Innovation & Enterprise)
- Initiated Social Venture Lab@NUS in 2011 to incubate Innovative Social Enterprises

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