2.4 Investigate business and organisational model

What?

Finding a sustainable business- and organizational model that fulfills the needs of your project.
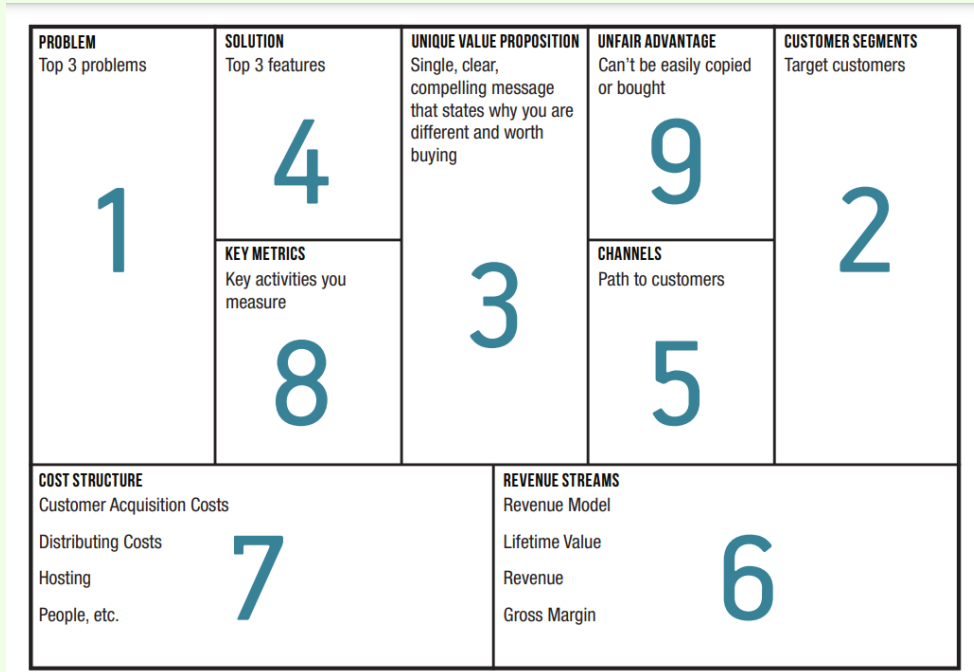
Why?

This toolbox focuses on the development and implementation of new innovations, however as long as the product/service is available on the market someone has to take responsibility for it. For example, regulatory legislation stipulates that there must be an organization that manages adverse events for medical products and users will require a support function. Therefore, you have to ensure that there is an organization in place that manages all that and other things relating to your product/service.

You also need a sustainable business model, even though profits might not be your primary driving force. Without sustainable financing you will not be able to scale, or to handle long term operations, continuous updates, improvements etc.

How?

A widely used method to develop your business model is the Lean Canvas. It is a tool that supports you in finding a sustainable business model by iteratively forcing you to validate different models until you have found one that suits your innovation. Remember that the business model should continuously evolve as you develop your innovation and gain more knowledge about the environment where you will implement it. Few entrepreneurs end up implementing their first business model.

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Lean Canvas is adapted from The Business Model Canvas (www.businessmodelgeneration.com) and is licensed under the Creative Commons Attribution: Share Alike 3.0 Un-ported License.

Step by Step!

The first question you must ask yourself is what *you* want to do. If you are an intrapreneur, can you develop, implement and scale your innovation from within your existing organisation? Do you have managers and colleagues on board?

If you decide to become an entrepreneur you can build a for profit company, a social enterprise (ie. applying business logics but reinvesting the majority of the profits into the company) or start a non-profit organisation. Another option is to sign an out-licensing agreement with an existing company or even to give your idea away for free to someone else who has the capacity to develop and scale the innovation.

The organisational model of your project might affect the business model, and vice versa. Keep in mind that no matter what organisation you choose, you must have a business model that is financially sustainable in the long term.

The *Lean Canvas* is built around three meta-principles that is a high-level description of how to work with the tool. The principles are as follows:

1. **Document your Plan A in a *Lean Canvas***
   In the first step you will document all your knowledge and insights into one lean canvas (see picture). Then you will make individual canvases for each broad customer segment that you have identified and complete each template with as much information as possible. Note that in your lean canvases you focus on customers (payers) rather than users.

2. **Identify the riskiest parts of your plan**

In the second step you will go through each and every customer segment-specific canvas. A recommendation is to start with the top two or three segments you feel you understand the best or find most promising. You will then identify the riskiest parts of each canvas. Common risks are lack of knowledge of the actual cost to develop and manufacture the product, not understanding the buying process of your target customers etc.

3. **Systematically test your plan**
   The third and final step of the process is to try to mitigate the risks identified in step 2. Depending on what kind of risk, this can include doing more interviews with various stakeholders, talking to potential customers, or doing desktop research to gain more knowledge. At some point you have gained enough knowledge to assess if there is a risk or not. If the risk is considered too much to handle, then you might reject that customer segment and focus on your other canvases.

The process is repeated until you only have one canvas left. This canvas will contain a tested and validated business plan. Remember to continuously evaluate your business model as you gain more knowledge. As stated in the beginning of this toolbox, few entrepreneurs end up implementing their first business model.

The process is described in detail in the book *Running Lean* by Ash Maurya, he describes the content of the book as follows: "Running Lean is a systematic process for iterating from Plan A to a plan that works, before running out of resources.".

Resources/Sources:
- Running Lean, Ash Maurya, 2010
- Leanstack.com – Official Lean Canvas
- Strategyzer.com – Business Model Canvas

Try your own LEAN Canvas with our template

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