Iceland Liechtenstein Norway grants

The Social Innovation Brokers Project (Project Nr. EOG/21/K3/W/0042) benefits from 181.060 € grant from Iceland, Liechtenstein and Norway through the EEA Grants, from 01.02.2022 to 31.01.2024.

Social Innovation Brokers

WE FOR YOU

Course for Youth

MODULE 4: Developing and Prototyping

SLIDE 2: AGENDA

- Developing the Ideas
- Prototyping and Piloting
- Making a Case
- Implementing the Projects

SLIDE 3: Social Innovation Spiral

In this lecture we will address steps 3, 4 & 5 of the spiral.

Slide 4: Developing and Testing

After you have generated the ideas and selected the best ones it is time to develop the ideas further and test whether they work or not.

SLIDE 5: Prototyping

The prototyping phase focuses on the development and testing of ideas through prototyping.

Prototyping enables innovators to experiment, evaluate, learn, and adapt an idea, so they can refine it into something even better. The prototypes are then tested with users of the ultimate product or service to understand if it works.

Compared to a pilot, prototyping does not require a lot of resources and can be done within short timescales.

Historically, prototyping was an innovation method most commonly used by engineers, designers and web developers rather than the public sector. Today, however, there is a growing interest in how this approach could be adopted for the public sector and service design.

Prototyping is not an alternative to piloting. Rather, it helps to build a better specification for what a pilot might be. It may even help to see that an idea isn't going to work and save the time and cost of a pilot.

SLIDE 6: NESTA'S PROTOTYPING FRAMEWORK

The prototyping process outlined in this toolkit was developed by Nesta and thinkpublic. Depending on what you are prototyping you may find stages of this process are more relevant than others, but the diagram provides a framework which will allow you to structure your approach.

In the picture you can see one of the tools available on Nesta's website.

To find out more about NESTA´s prototyping framework visit:
https://www.nesta.org.uk/toolkit/prototyping-framework/

Slide 7: Prototyping Playbook

There are a couple rules that are worth playing by when it comes to prototyping.
The first thing is really to start small and simple. Then you have to figure out the story that you want to tell. Visualize the concept in pictures using as few words as possible. Don't tell; make the prototype feel real through mock imagery, artifacts, experiences. Another important thing is to visualize multiple options, create some choices to be made by your audience. And lastly, play with your prototypes. Don't defend them. Let others validate them.

SLIDE 8: MAKING A CASE

This step involves moving from the pilot to securely establishing social innovation by identifying its legal and physical form and income streams to ensure long term sustainability.

Slide 9: Business Models

A business model is the foundation of any company, describing how the organization generates value and makes profits. It is a general description of how a company creates value for its customers, makes money and operates in the marketplace. It is how a company organizes its resources, processes, and relationships with customers and partners to achieve its business goals. There are many different business models, some of which are more common and popular inspecific industries or sectors of the economy.

Slide 10: St. Gallen Business Model Navigator

The St. Gallen Business Model Navigator, also known as SGBM Navigator, is a tool developed by professors at the University of St. Gallen in Switzerland to describe, analyze and design business models. It is a popular tool used in the field of strategic management and innovation to help companies develop new business models or optimize existing ones. SGBM Navigator focuses on the process of managing innovation and business strategy, not just on ready-made business model templates.

The creators of SGBM wrote a book titled “The Business Model Navigator: 55 Models That Will Revolutionize Your Business”. This book is a good resource describing 55 different existing business models and explaining the reasoning behind SGBM.

Takeaways:

- Business models are often composed of repeatable patterns
- Familiar patterns can be an inspiration and a source of learning through analogy
- A new combination of known patterns can bring success

Slide 11: Business Model Canvas

The Business Model Canvas, also known as the "Business Model Map," is a simple diagram that consists of 9 boxes that represent the key elements of a business model, i.e. customer segments, value proposition, distribution channels, customer relationships, revenue sources, key resources, key activities, strategic partners and cost structure.

Using Business Model Canvas (BMC) you can easily define, design and visualize business ideas, at each stage of its functioning of your business.

The BMC allows you to describe the most important elements related to your organization's business on a single sheet of A4. That's not much compared to a multi-page business plan.

The business model canvas consists of 9 elements.

The history of the Business Model Canvas dates back to the 1990s, to the work of Alex Osterwalder - a Swiss entrepreneur, researcher and author of best-selling management books. Osterwalder noted that many companies have difficulty understanding and refining their business models, which often leads to failure in the market. Inspired by this problem, Osterwalder began researching the creation of a simple but comprehensive tool that would allow entrepreneurs to visualize and analyze their business model.

In 2004, he published his first research on the subject. In 2010, with Yves Pigneur, he published the book "Business Model Generation," which introduced the Business Model Canvas as a tool for designing and optimizing business models. Since its launch, Business Model Canvas has gained enormous popularity as a tool for designing, analyzing and optimizing business models. It has been adopted around the world as an effective tool to help innovate, strategize and grow businesses.

Slide 12: Elements of Business Model Canvas

● Customer Segments - This section describes the groups of customers the company intends to serve, i.e. their demographics, behavior, preferences, and needs.

- Who is the product/service being developed for?
- Who might be a potential customer and why?

- Who will be able to pay for the product?

● Value Propositions - This section describes the value the company provides to its customers, i.e. products, services, experiences, solutions or innovations that meet specific customer needs. The value proposition should be unique and attractive in the eyes of customers.

- What value do we offer the customer?
- Which customer problems do we help solve?
- Which customer needs do we satisfy?
- What sets of products and services do we offer to each customer segment?
- What matters most to customers?
- What is the greatest value to them?

● Distribution Channels - This section describes the means by which the company will reach its customers, i.e. through traditional channels such as stationary sales, wholesale distribution or e-commerce, as well as innovative channels such as mobile apps, online platforms or social Media.

- What are the channels through which our customers would like to be reached?
- How are we reaching them now?
- Are our channels integrated?
- How do I interact with my customers?
- What channels do I want to use?
- What methods work best?
- What costs are generated by each channel?

● Customer Relationships - This section describes how the company builds and maintains relationships with customers.

- What type of relationship does a particular customer segment expect from us?
- Can I meet those expectations?
- What kind of relationships have we established so far?
- How much do they cost?
- How integrated are they with the rest of our model?
- Who/what are you to the customer?
- What role do you play in his/her life?
- Does loyalty matter?
- Are you easily replaceable?

● Revenue Streams - This section describes the company's main sources of revenue, i.e. product sales, services, subscriptions, licenses, advertising or other forms of revenue generation.

- What are your customers paying for now and what value would they be willing to pay for?
- How do our customers pay?
- How would they like to pay?
- What is the share of a particular stream in total earnings?

● Key Resources -This section describes the essential resources, i.e. knowledge, technology, infrastructure, people, finance or other resources needed to implement the business model. What resources do we need to:

- create our offer?
- carry out distribution?
- maintain relationships?
- Generate revenue?

● Key Activities - This section describes the key activities that the company must undertake to realize its value proposition, i.e. production, service delivery, marketing, customer relationship management or other activities that are essential to the operation of the business.

- How do I create my offer?
- What does my day look like?
- What do I do the most?
- What do others in my company do?

● Key Partners - This section describes the partners with whom the company establishes partnerships to increase its competitiveness, i.e. suppliers, distributors, allies, coalitions or other entities that support the implementation of the business model.

- Who are our partners?
- Who are the key suppliers?
- Which Key Resources do we receive from partners?
- Which Key Activities do partners provide?

● Cost Structure - This section describes the cost structure of the company, i.e. production, distribution, marketing costs, customer service, employment or other operating costs.

- Which costs are most important?
- Which Key Resources and Activities are the most expensive?

SLIDE 13: Business Plan

A business plan is a document that must convince a critical, unbiased person of our vision of developing a business. It should contain two main parts: descriptive and analytical or financial.

Who for?
A business plan is not a uniform document, and it serves many institutions or individuals to assess the situation in your company. It is a window in the analyst's room - the neater and more realistic the image, the greater the chance of success.

Potential readers:
- Banks and lending institutions
- funds and private investors
- grants and EU funds
- social financing

SLIDE 14: Elements of a Business Plan

1. Introduction and presentation
- brief description of your venture
- detailed company data
- history of the company
- potential of the company
- personnel and their experience
- our experience

2. Company objectives
- long-term goals
- medium-term goals
- short-term goals
- motivation, in other words, why we want to grow
- what drivers made us want to expand

3. Company development strategy
- our plan for development
- schedule/timeline
- why the chosen strategy will work
- alternative paths
- potential customer sectors
- risk management
- critical model

4. Market research
- statistical data on our industry
- statistical data on the market of potential customers
- statistical data on our competitors
- statistical data on market prices
- data on the future of the market

5. Market analysis
- conclusions that we drew from the collected data
- the method we used for drawing such conclusions
- the logic behind drawing the conclusions

6. Competitor analysis
- number of direct competition
- number of indirect competitors
- map analysis
- competitor price analysis
- analysis of opinions about competitors vs. the best in the industry

7. Product/service description
- detailed description of the product/service
- similarities and differences compared to the competition
- market differentiators
- our distinctive characteristics

8. SWOT analysis

9. Financial plan

10. Summary
- concise conclusions of the entire business plan
- the most important arguments
- two sentences from yourself

SLIDE 15: SWOT ANALYSIS

SLIDE 16: Financial Aspects

● Cash flow
Cash flow is a concept that refers to the flow of money between a company and its environment over a certain time. Cash flow is a very important financial indicator, as it allows one to determine how much money the company generates from its activities, how much it consumes and how much remains in its Account.

Cash flow is different from net profit, which is a measure of a company's profits and losses of the company. Revenues and expenses do not always affect cash flow. Cash flow also includes financial operations such as loan payments or investments in fixed assets.

● Profitability

This indicator allows to estimate the company's profits in relation to revenues. In the business plan, it is important to determine the profitability, as it helps us to assess the investment.

- The net profit margin = Net profit / Sales revenue

It is the ratio of net profit to sales revenue. This ratio measures how much percentage of revenue is left after deducting costs, taxes and other expenses

- Gross profit margin = Gross profit / sales revenue

The gross profit margin is the ratio of gross profit to sales revenue. Gross profit is the difference between sales revenue and direct costs related to them (e.g. cost of raw materials, fuel, energy). The profitability ratio Gross measures how much percentage of sales revenue remains after subtracting direct costs.

● Liquidity ratio

This indicator allows us to assess whether the company can pay its financial obligations in a short time. Liquidity is important in a business plan, as it helps to determine the financial risk.

- Current ratio = Current assets / Current liabilities

The current ratio is the ratio of current assets to current liabilities. This ratio allows us to determine how current assets cover short-term financial liabilities.

- Quick ratio = (Current assets - Inventory) / Short-term Liabilities

The quick ratio is the ratio of current assets minus inventories to current short-term liabilities. This ratio measures how many times current assets minus inventories cover short-term financial liabilities and financial liabilities.

● Gross margin

This indicator provides an estimate of a company's profits after deducting production costs or selling costs. Gross margin is important in a business plan, as it allows you to determine how big the margin should be on a product or service to make the project profitable.

Gross margin = (Sales revenue - Production related costs) / Sales revenue

● Debt to equity ratio

This indicator allows you to assess how large the financial liabilities of the company are in relation to its value. It is important in a business plan because it allows you to estimate the company's ability to pay its debts.

Debt-to-equity ratio = Net debt/equity

● Net present value

To calculate the net present value, we need a range of data, including primarily:

- Future cash flow values (CFt) - what financial benefits the project will bring in future periods.
- Cost of capital (r) - the required rate of return that the project must achieve to be profitable.

● Internal Rate of Return
The financial IRR (Internal Rate of Return) is a method of evaluating the profitability of investment projects, which allows to determine the percentage rate of return on investment.

● EBIT (Earnings Before Interest and Taxes)
EBIT = revenue - operating expenses
Revenue is the overall income from the sale of products or services. Operating expenses are the costs associated with operating activities of the company, such as the cost of employment, materials, leases, advertising, etc. It is worth noting that EBIT does not include financial expenses such as interest on loans or credits, or taxes. EBIT is often used to measure a company's operating efficiency because it reflects its ability to generate profits from core operations.

● EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)

EBITDA = revenues - operating expenses + depreciation + amortization + asset impairments
Revenue is the overall income from the sale of products or services, while operating expenses are the costs associated with running operating activities of the company, such as employment costs, materials, leases, advertising, etc. Depreciation and amortization are the costs that a company incurs as a result of wear and tear of fixed assets such as buildings, machinery or tools. Asset
impairments are costs resulting from the loss of value of assets, which can be caused, for example, by obsolete technologies, market changes or financial problems.

SLIDE 17: Resources

- How to write a business plan; Sample Business Plans for different industries: https://www.bplans.com/business-planning/how-to-write/
- UK government website; many examples and templates: https://www.gov.uk/write-business-plan
- Gov.pl: https://www.biznes.gov.pl/pl/portal/00173
- Useful video on the financial part of a business plan: https://www.youtube.com/watch?v=N-SIYs1BGzw