

# Rethinking Business Models for Social Innovation

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Bridging the gap between ideal and real

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Actors, Processes & Structures

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# OUR DEFINITION OF SOCIAL INNOVATION

Social Innovation refers to

1

**NOVEL COMBINATIONS OF IDEAS** and **DISTINCT FORMS OF COLLABORATION**

2

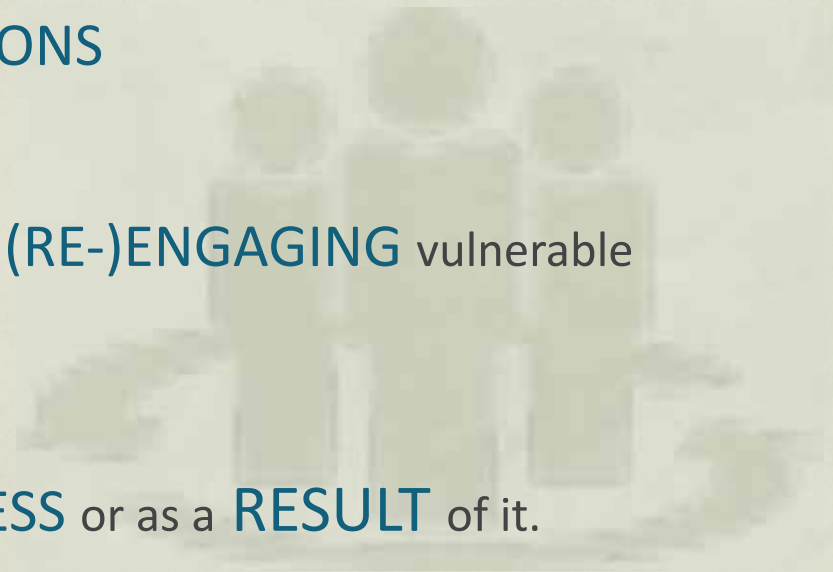
that transcend **ESTABLISHED INSTITUTIONS**

3

with the effect of **EMPOWERING** and **(RE-)ENGAGING** vulnerable groups in society

4

either through the **INNOVATION PROCESS** or as a **RESULT** of it.



*Mind-shift from «vulnerable as burden of society» towards*

« Vulnerable as  
untapped potential  
for society »

Focus on Vulnerable Groups

Making use of an underutilised potential





SIMPACT

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CONCEPT & WORK PLAN

**12**  
Partners

**10**  
Countries

**450**  
Stakeholder

**3**  
Years



Westphalian  
University



Institute for Work & Technology



sinnergiak  
social  
innovation  
ehu



tu technische universität  
dortmund



NEOMA  
BUSINESS SCHOOL



POLITECNICO  
DI MILANO



UNIVERSITY OF  
BATH



UNITED NATIONS  
UNIVERSITY  
UNU-MERIT



UNIVERSITY OF  
EASTERN FINLAND



NORDREGIO  
Nordic Centre for Spatial Development

SIMPACT  
Basic information



## Improvement for Spread & Growth

## Modelling & Testing

### Evidence-based Knowledge

- » *Meta-analysis*
- » *Business Case Studies*
- » *Social Innovation Biographies*

### Evidence-based Decision Making

- » *Indicator sets*
- » *National accounts*
- » *Policy instruments*
- » *Specifics of New Member States*

Collecting Evidence

Stronger SI Concepts

Methods, Tools & Instruments

Continuous Stakeholder Dialogue

Theoretical Foundation

### Middle Range Theorising

- » *Evolutionary thinking*
- » *SI typology according to economic principles, objectives & components*

Concept  
From roots to results

Theoretical Foundation

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# AN INITIAL FRAMEWORK



# THEORETICAL MODEL

## SPECIFICS IN NMS



*Profit maximisation*

## ECONOMIC OBJECTIVES

*Empowerment  
Participation  
Social Cohesion*

## SOCIAL OBJECTIVES

*Welfare maximisation  
Inclusion  
Unburdening Budgets*

## POLITICAL OBJECTIVES

## COMPONENTS

## OBJECTIVES

## PRINCIPLES

### ACTORS

*Civil Society  
Economic Field  
Political Field*

### RESOURCES

*Economic resources  
Organisational capacities  
Social capabilities*

### INSTITUTIONS

*Political  
Welfare  
Social  
Economic*

### GOVERNANCE

*Public Regulation  
Co-Regulation  
Self-Regulation*

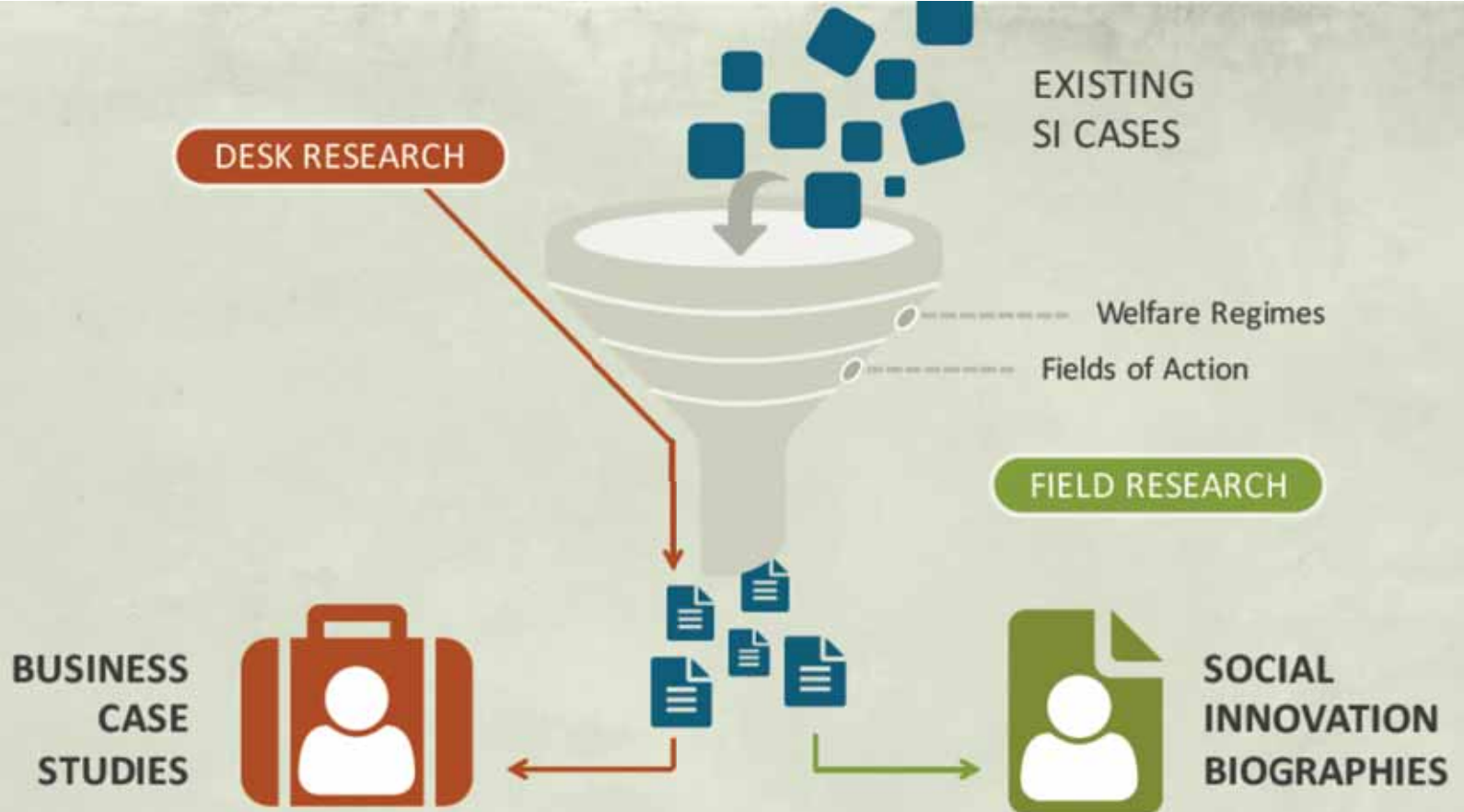
### EFFICIENCY

*Internal  
External  
Trade-offs*

Analysing the business models of social innovation

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# OUR EMPIRICAL RESEARCH: PROCESS AND KEY FINDINGS



## RESEARCH PROCESS

# Analysing the business models of SI

Process and key findings of our empirical research



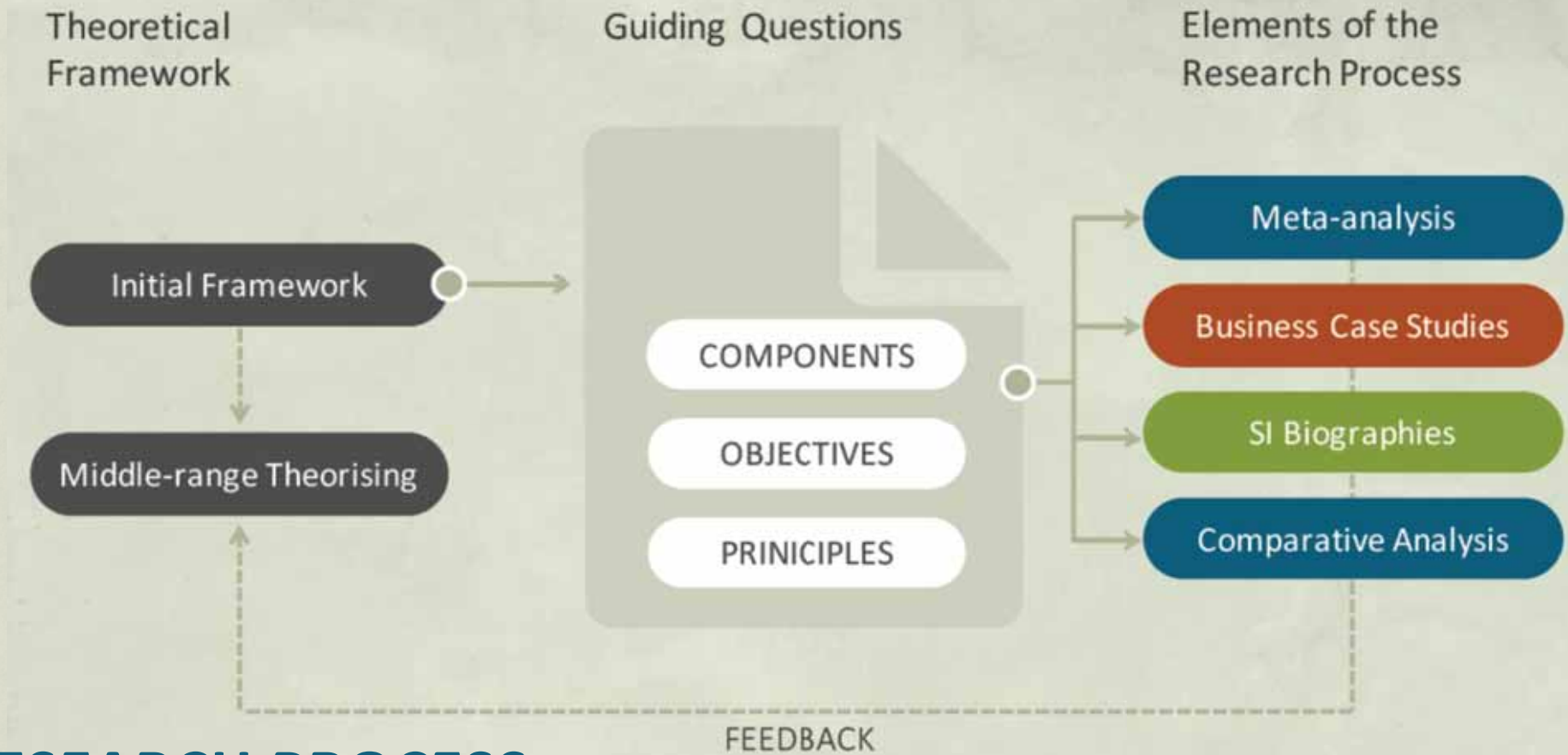
Total  
**58**

- Scandinavian model (10)
- Liberal Anglo-Saxon model (10)
- Continental model (15)
- Eastern European model (10)
- Mediterranean model (13)

# Analysing the business models of SI

Process and key findings of our empirical research





## RESEARCH PROCESS

Analysing the business models of SI  
 Process and key findings of our empirical research

*Desk Research*



*Field Research*



## RESEARCH PROCESS

# Analysing the business models of SI

Process and key findings of our empirical research



## **FINDINGS. Challenges of the business models of SI**

According to our extensive field and desk research, business model of SI must tackle a few key difficulties:

1. Presence of multiple agendas, leading to multiple value propositions and bottom lines;
2. Consequent divergence in the allocation of costs, use and benefits;
3. Unfit legal forms, frequently leading to the combination of multiple forms.

## FINDINGS. Complexity of business models

Based on our research, we posit that as social innovations address simultaneously economic and social value and mediate between the production of both tangible and intangible products/services, **they naturally lead to the generation/adoption of complex business structures and models**, able to address multiple bottom lines and accommodate for a vast activity system and actor network.



## **FINDINGS. Divergence of cost, use and benefit**

Social innovations are characterized by a divergence in allocation of costs, use and benefit.

In other forms of innovation, typically the subject who pays for the innovation uses it and benefits from it.

In social innovations, this is often not the case as those who pay for it (welfare systems, donors, customers) may not use it, and may not benefit from it (or at least not directly).

## FINDINGS. Divergence of cost, use and benefit

Value propositions in social innovations thus target each “market” in the aim of producing and capturing value to reach their intended social impact: **for beneficiaries** (to produce social value and at times capture economic value), **for customers** (to provide social value and capture economic value) and **for donors/funders** (to produce social value and gain financial support).

## FINDINGS. Unfit legal forms

Social innovations have a difficult time finding a proper legal structure as they cross the for-profit/non-profit divide.

Even if many formalised hybrid forms exist, we observed that in quite a few cases social innovators combine more than one venture (each with a specific legal form) in a single “umbrella organisation”.

We called these forms “**de facto hybrids**”.



Analysing existing business models

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# HOW TO DESCRIBE THE BUSINESS MODELS OF SOCIAL INNOVATION



## **BACKGROUND. The “for profit” perspective**

The concept of business model was born in the “for profit” frame. According to this frame, a business model creates and captures value, converting choices about value propositions, markets and customers into value, and accompanying those choices with an organizational structure that can then capture/monetize the value created.

(Smith et al., 2010)

## BACKGROUND. The “for profit” perspective

As existing BM frameworks and tools were primarily born to describe the **mechanisms through which enterprises realise profit**, applying them to SI introduces quite a few challenges.

In particular, understanding how a unique framework could render the combination of social and economic value emerges as a major problem.

## ADOPTED TOOL. The Business Model Canvas

In order to analyse the BMs of SIs, we adopted an existing framework (Osterwalder and Pigneur, 2010), modifying its main tool (**BM canvas**), originally conceived to analyse “for profit” BMs.

The modified version of the canvas proposes to distinguish the value created for customers, beneficiaries, and donors/funders, and to determine the ways in which eventual surplus is used.



## Key Partners

Who helps them?

Who are their:  
- Key Partners,  
- Key Suppliers?

## Key Activities

How do they do it?

What are the main activities performed to deliver their:  
- social value proposition  
- commercial VP?

## Key Resources

What do they need?

Which physical, financial, intellectual or human assets are used?

## Value Propositions

What do they do?

**What value do they deliver to:**  
- **Customers,**  
- **Beneficiaries,**  
- **Donors/Funders?**

## Customer Relationships

How do they interact?

How do they relate with:  
- Customers  
- Beneficiaries  
- Donors/funders ?

## Distribution Channels

How do they reach them?

What methods of distribution and sales do they use to reach customers, donors and funders?

## Customer Segments

Who do they help?

Who are the different customers, beneficiaries, donors and funders the organization targets?

## Costs

What are the costs?

What are the most important costs connected to the Business Model?

## Revenues

Where will revenue come from?

What are the revenue streams produced by the customers, beneficiaries, donors and funders?

## Use of surplus

How is surplus used?

**In which areas is eventual surplus reinvested?**



Extracting existing business models from the cases

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**EXAMPLES**



## Libera Terra. Context & Idea

The primary unmet social need in Italy's south is that of social security: the right to a just and equal social order combined with the right to self-realization.

Working in highly corrupt areas means that the barriers (economic, social and cultural) to being competitive are high.

Libera Terra responds to this need by creating legal and ethical employment in territories destroyed by the mafias.

## Evidences from field research

Analysis of existing business models



## Libera Terra. Mission

Libera Terra is the entrepreneurial branch of the anti-mafia association Libera: it is a network of social cooperatives working on confiscated lands primarily in the agro-food industry.

Libera Terra's mission is to create social and economic value for the community by re-using the confiscated assets re-allocated to them under the law 109/96. Their cooperatives are located in Sicily, Campania, Calabria, and Apulia.

## Evidences from field research

Analysis of existing business models





## Libera Terra. Solution

Libera Terra produces and sells ethical, organic products managing 1,400 hectares of confiscated lands and giving work to about 140 people.

The group of cooperatives also manages other brands (e.g.: Cantina Centopassi), and cooperates with the Consortium Libera Terra Mediterraneo (LTM) that coordinates the cultivation amongst the various cooperatives.

## Evidences from field research

Analysis of existing business models





## Libera Terra. Solution

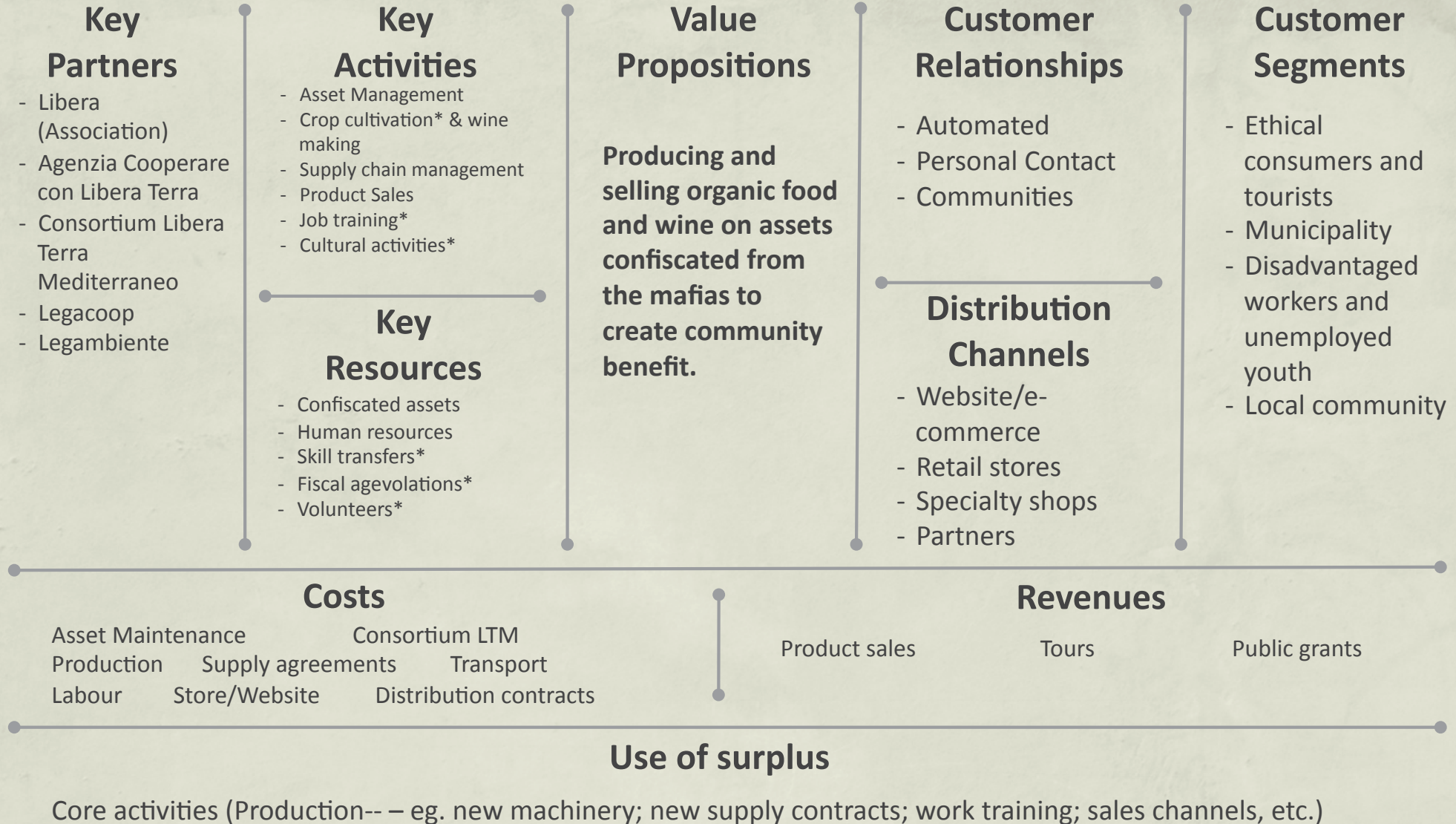
The main focus of the cooperatives is to reuse confiscated assets for community benefit: they do so by cultivating land for the organic production of food and wine through the employment of vulnerables.

Libera Terra has many important partners and supporters (LTM, Agency Cooperare con Libera Terra, COOP, etc.), including its parent association: Libera, who provides them with a large networks of partners and potential clients, as well as acting as their political arm, advocating for better policies and norms regulating confiscated assets in Italy.

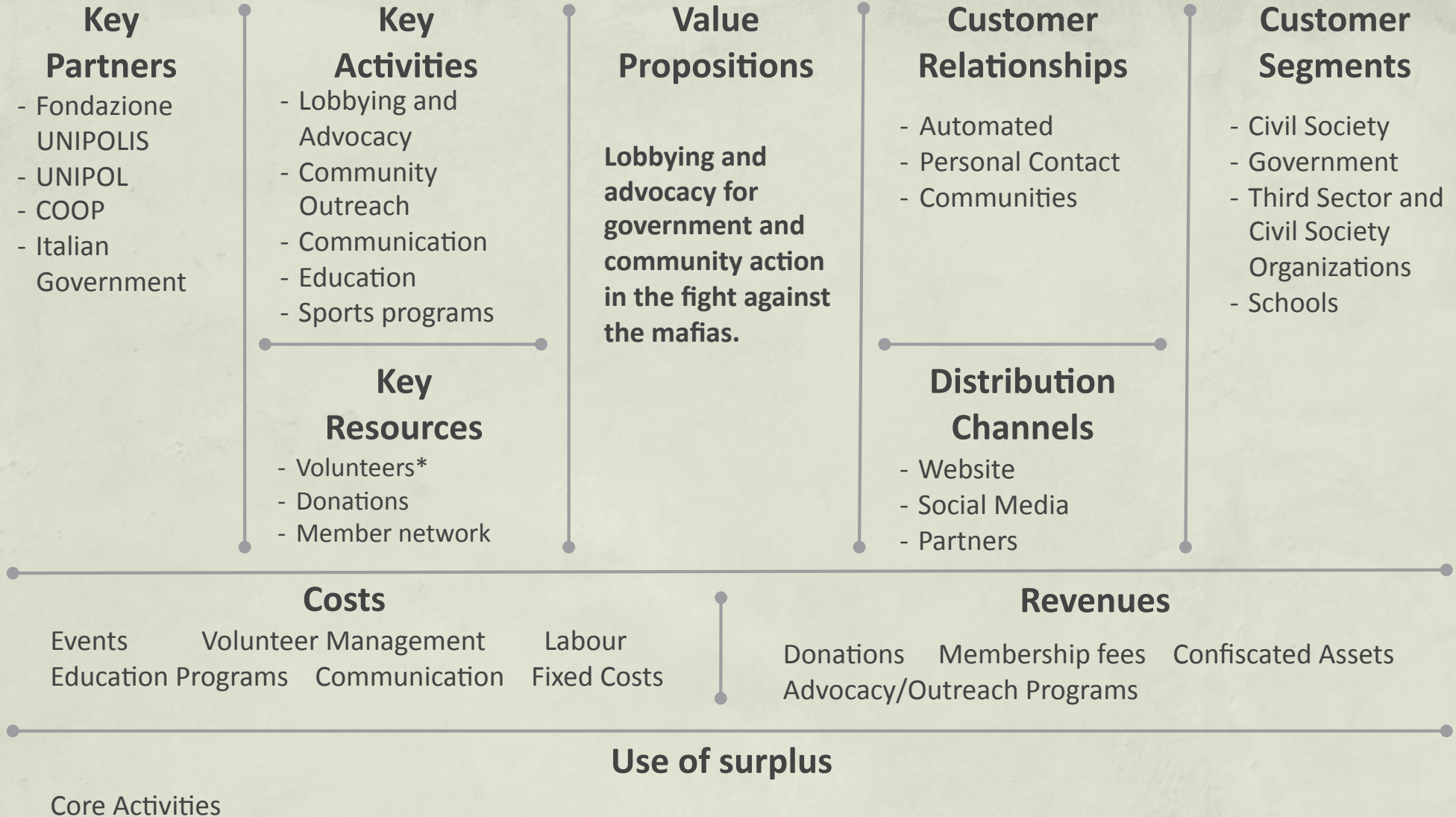
## Evidences from field research

Analysis of existing business models

# Libera Terra. Business model



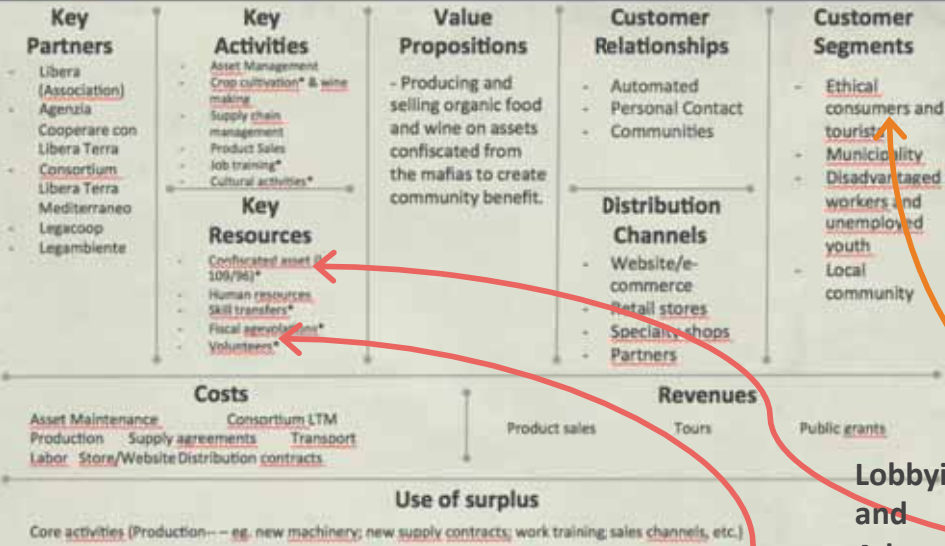
# Libera Association. Business model





# Libera + Libera Terra: de facto hybrid

## Libera Terra. Business model



Promotion

Lobbying and Advocacy

Human Resources

## Libera Association. Business model







## Rodin let. Context & Idea

Croatian citizens view childcare as the responsibility of the government, who has based its system on compensatory policies. The country doesn't have efficient childcare systems which is creating a burden particularly for young couples moving to urban areas who cannot rely on the traditional system of kin-based care.

RODA's mission is "to change society into a society that acts responsibly towards children, parents, future parents and families – through information, education, active lobbying and inclusion in the processes of change, as well as encouraging parents and other societal groups to question the status quo and be part of change"

## Evidences from field research

Analysis of existing business models



## Rodin let. Mission

*Rodin let* is the social enterprise and income generating activity of its parent association, RODA – Parents in Action. The company manufactures ecological, cloth diapers and baby and women accessories through the employment of disadvantaged subjects.

*Rodin let's* mission is to encourage parents to save money while making a healthier, more ecological choice for their children through re-usable, cotton diapers.

## Evidences from field research

Analysis of existing business models



## Rodin let. Solution

Rodin let manufactures eco-friendly cloth diapers and other baby accessories under the brand name *Rodin Pusu*, “Rodin’s kiss”, including: diaper covers, baby wipes, diaper bags, pads and T-shirts.

*Rodin let* outsources its production to Varaždin, a special workshop employing people with disabilities.

## Evidences from field research

Analysis of existing business models





## Rodin let. Solution

*Rodin let* employs disabled workers from a special workplace to produce their products. The items are then sold and distributed locally. The primary materials used for making the diapers are hemp, organic cotton and bamboo, which at present are not supplied locally due to difficulties in finding suppliers.

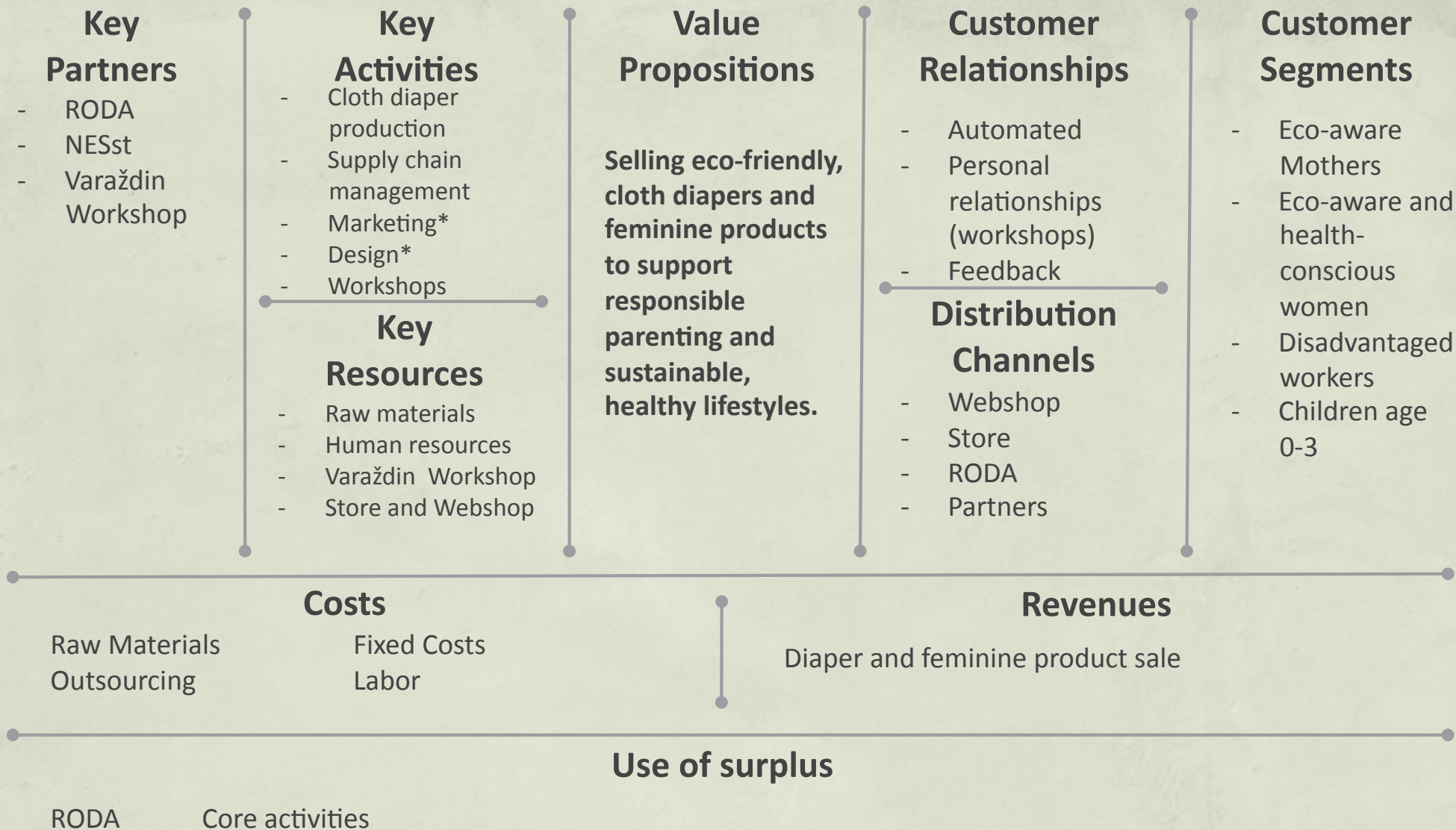
The company also hosts workshops and seminars in their store where customers can learn about the advantages of cloth diapers, discover tips and tricks on how to use and maintain them and hear user feedback from other mothers.

## Evidences from field research

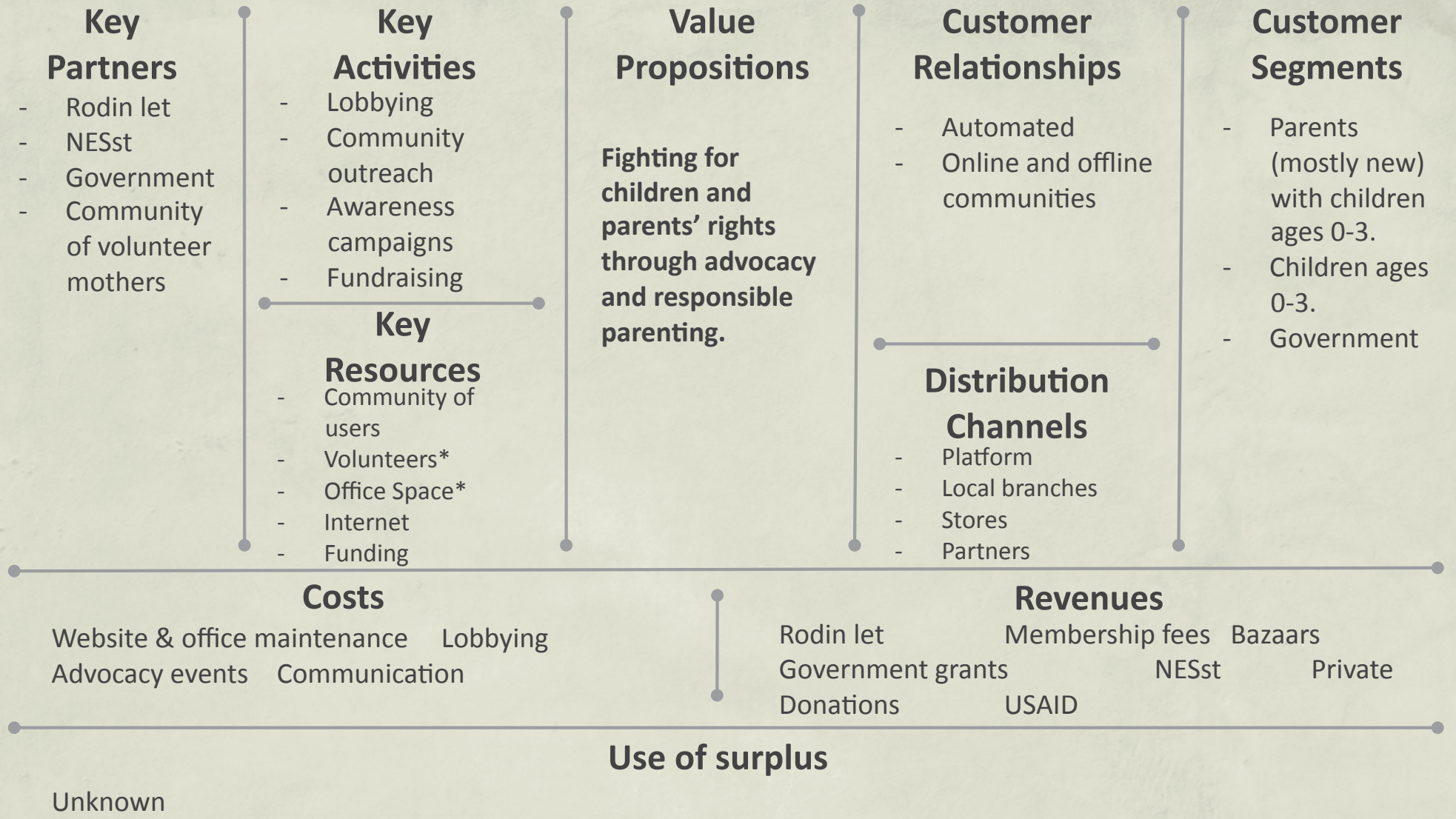
Analysis of existing business models



# Rodin let. Business model



# RODA. Business model



# Roda + Rodin let: de facto hybrid

## Rodin let. Business model



## RODA. Business model



Promotion and Advocacy

Services: Feedback/ Testing

Financial Resources



## DISCLOSING HIDDEN BUSINESS MODELS

The analysis of “de facto hybrids” has been performed through the disclosure of the connections between single organisations operating under an “umbrella organisation”.

To capture how SIs really work, we need to render the whole frame, showing the interdependency between formally independent organisations.

Evidences from field research

Analysis of existing business models



Towards improved SI Business Models

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**OPEN ISSUES**

## OPEN ISSUES

1. Is the modified version of the BM canvas suitable to analyse BMs of SI?
2. Can it be useful not only to analyse existing SIs but also to support the creation of new ones?
3. Which other tools could be helpful in sustaining the establishment, assessment and improvement of SIs?



# THANK YOU !

## FOR YOUR ATTENTION

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