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# Thrive! Entrepreneurial skills as solid base for a future in the Creative Industry

## Module 2
## Employees in companies with growth potential or growth ambition

*Student's manual*

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The "Thrive! Entrepreneurial skills as solid base for a future in the Creative Industry" project has as central aim to support the (young) (female) entrepreneurs and companies and its employees in the creative sector to go through a transformation and innovation process that is necessary to survive the present times and to become a company with a sustainable business case.

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# Guidance through the manual

This manual is intended to introduce the participants to the course and the topics covered there:

- Short introduction to the topics Entrepreneurship and Employees in companies with growth potential or growth ambition.
- Explanation of the course.
- Introduction to the individual topics of the course with summary presentations and references to further material.
- Attachment with material (tools) for the application of the presented methods.

The manual gives a brief introduction and overview of the individual topics of the course. Participants open up the contents of the self-study by reading books / book chapters, specialist articles, etc. In addition, appropriate sources for a deeper study of the topic are given.

We recommend that participants read the following books:

The report "Developments, future company profiles, and entrepreneurial skills in the creative industries" (2018) of the project Thrive! highlights the changes in the creative industries and, based on company profiles of the future, derives the necessary skills for founders and employees with an entrepreneurial spirit.

Download

Paul Burns: Entrepreneurship and small business. Start-up, Growth and Maturity, Fourth Edition, London 2016.

This textbook covers the topics entrepreneurship and management of small businesses very comprehensively.

Here you can download the table of contents and the first chapter of the book.

On the subject of business models, the book by Osterwalder, Alexander and Pigneur, Yves: Business model generation. A Handbook for Visionaries, Game Changers, and Challengers, Munich 2010 delivers a very good insight.

Here the complete book is available for download.

On Design Thinking, the book by Lewrick, Michael/Link, Patrick/Leifer, Larry: The Design Thinking Playbook: Mindful Digital Transformation of Teams, Products, Services, Businesses and Ecosystems, München 2018, offers an action-oriented entry.
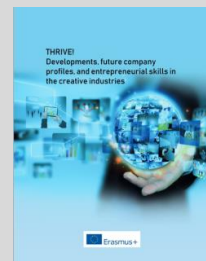
# 1.  Introduction

## 1.1  Dynamic change in the creative industries and the increasing importance of entreprenuerual skills

Nearly all sectors of the creative industries have undergone massive changes since the beginning of the 21st century. Technology – in the first place the digitalisation – has changed the way of production, sales and distribution fundamentally, new competitors – often from outside the branches – appeared and captured market shares, customer behaviour becomes more volatile, close cooperation with customers ("pro-sumer") is normality. One effect is that competences become obsolete faster than in the past. As one result the number of companies as well as the number of employees in most of the sectors of the creative industries has decreased in all European countries. For example the printing industry – as part of the creative industries - lost more than 40% of the companies and of their employees during the last 15 years (for detailed information see Hopkins/van der Heide 2017).

What is new nowadays is the speed of the development. Therefore it gets more and more difficult to predict the future of the business – especially for a perspective of more than 5 years.

The developments described lead to a paradigm shift in innovation and entrepreneurship – first and foremost triggered by the digital transformation. New products and services are no longer in the focus of innovation – business model innovations receive highest priority. Incremental innovations are out of interest – anyone is searching for the next disruptive innovation.

Beyond the current discussion that largely concentrates on digital transformation and disruptive changes the developments do not only threaten traditional industries and players. On the other hand they offer tremendous opportunities for entrepreneurs and people with entrepreneurial spirit.

**For further Information**

read the Thrive!-Report
"Developments, future company profiles, and
entrepreneurial skills in the creative industries" (2018).

**Download**

## 1.2 Challenges for enterprises and employees

The challenges that companies and employees face are often summarized under the term "VUCA-world". VUCA stands for

- V – Volatility
- U – Uncertainty
- C – Compexity
- A - Ambiguity

and characterizes the environment in which both the entrepreneurial action and the work of the individual take place - currently and in the future.
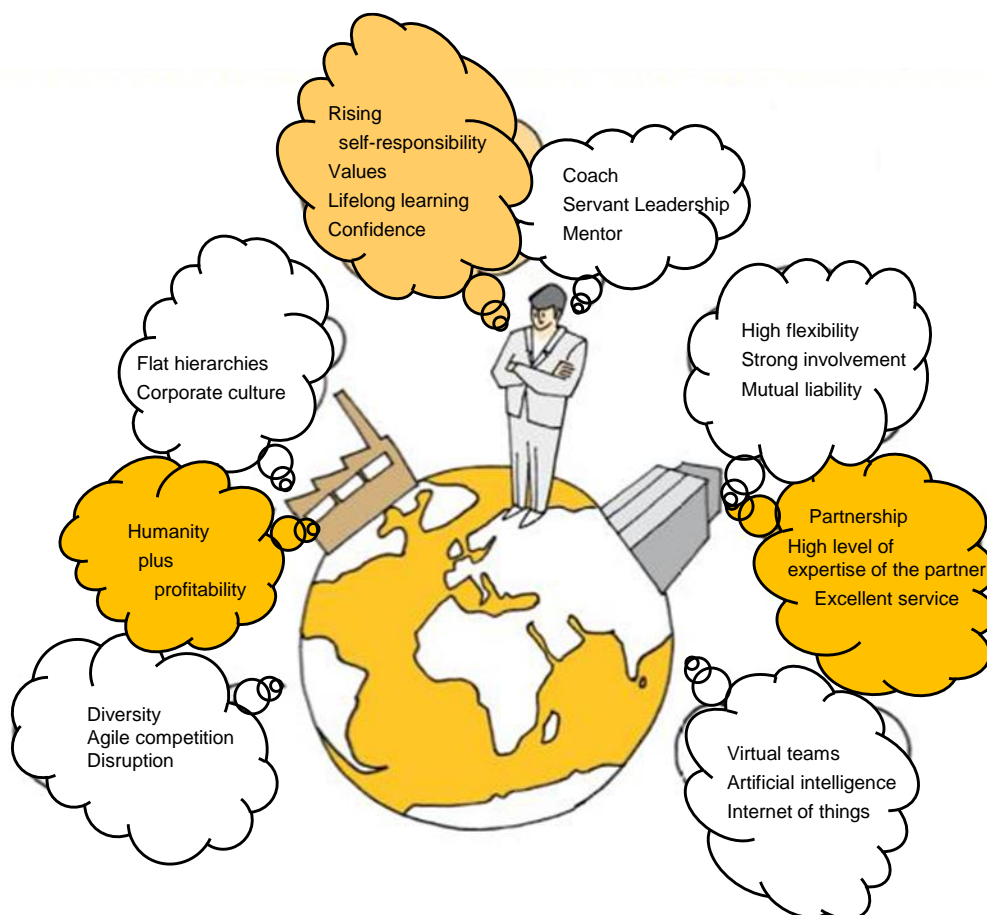


Abb.#: Challenges for enterprises and employees
(Source: Summerer/Maisberger (2018): Teamwork agil gestalten, p. 11)

In view of the current and future challenges - which have been discussed for some years under key terms such as "Digital Transformation", "Agile Management", "Industry 4.0", "Disruptive Innovation" - it is not just the opportunities for start-ups that are rising. Dynamic and innovative employees in companies with growth potential are also required to drive developments forward. As a result, so-called entrepreneurial skills are becoming increasingly important.

However, not only in relation to innovation / development processes and cooperation with external partners, but also to the work of individuals (motivated and entrepreneurial people) a lot has changed and will continue to change in the future with increasing speed.

It's about more than technical developments. Equally important are the effects on the organisation of companies (structures and processes) up to the design of the work. Work is much more common in projects. For the members of project teams, the requirements for cooperation and communication rise, for project managers new challenges arise in the compilation of teams, the integration of external persons (eg freelancer, solopreneurs), the handling of interdisciplinary, multicultural teams, the transfer and securing of knowledge and know-how. Increased / more intensive cooperation with start-ups can – due to different approaches - lead to additional innovative impulses, but also to additional problems ("clash of culture") in the innovation process.

Also digital skills and / or basic knowledge about the digital transformation and the effects on the enterprise level are important. Above all, people with entrepreneurial spirit should intensively deal with the technical developments and the changes caused by digitization and other future technologies such as Artificial Intelligence, Virtual Reality, etc.

**Recommendation**
The digital transformation and the effects on companies and employees are described vividly in the books

- The Digital Transformation Playbook
- Leading Digital

## 2. What this course is about

### 2.1 Target group

This course is for people with entrepreneurial spirit who work as employees in a "company with growth potential or growth ambition"

*What is meant by "Companies with growth potential or growth ambition"?*

The description of a "modern company" from Eric Ries (2016), a pioneer of (modern) entreprenuership, shows how such a company could look like:

"A modern company is one in which every employee has the opportunity to be an entrepreneur. It respects its employees amd their ideas at a fundamental level.

A modern company is disciplined at the rigorous execution of its core business – without discipline, no innovation is possible – but it also employs a complementary set of entrepreneurial management tools for dealing with situations of extreme uncertainty. (...)

A modern company

- is founded on sustained impact via continuous innovation, and focused on long-term results. (...)
- is made up of cross-functional teams that work together to serve customers through highly iterative and scientific processes. (...)
- operates rapid experiments. (...)
- Uses internal funvtions to help its employees meet their goal of serving customers, sharing the responsibility to drive business results. (...)
- Attempts to maximize the probability and scale of future impact. Project teams report and measure leading indicators using innovation accounting. In a for-profit context, this goal often follows Jeff Bezos's advice to "focus on long-term growth in free cash-flow per share" rather than traditional accounting measures. (...)
- has a new tool in its arsenal: the internal startup, filled with a small number of passionate believers dedicated to one project at a time. Like Amazon's famous "two-pizza team" – no larger than you can feed with two pizzas – these small teams are able to experiment rapidly and scale their impact. Their ethos: "Think big. Start small. Scale fast." (...)
- is composed of leaders and the entrepremneurs they empower. (...)
- pursues a portfolio of smart experiments and contains the cost of failure by investing more in the ones that work, using a system of metered funding that increases as success is proved. (...)
- is one in which efficiency means figuring out the right thing to do for customers by whatever means necessary. (...)
- rewards productive failures that lead to smart changes in direction and provide usefukl information. (...)
- leaves competitors in the dust through continuous innovation." (Eric Ries 2016, 37-41)

In view of the rapid development of digitization with its disrutive transformation many companies - especially large, mostly international companies and corporations - are

increasingly embarking by outsourcing departments for their developments / innovations, which, like an independent company, operate under framework conditions of an independant company, equipped with great freedom. Most of them are freed from the structures of the "mother", the long decision-making processes and strict reporting obligations, etc. This is an attempt to create a climate conducive to innovation. Or they cooperate with young start-ups, preferably from the IT-industry and, most likely, based in Silicon Valley.

A company with growth ambition should create the framework conditions for entrepreneurial action or for employees with an entrepreneurial spirit. Since employees with entrepreneurial spirit have limited influence on the framework conditions, this subject will not be explored in detail here.[1]

**Recommendation**

If you are interested in further and detailed information on Start-ups and entrepreneurial behaving in traditional companies, "The Startup Way" by Eris Ries delivers extensive (background) information.

*What is meant by "Employees with entrepreneurial spirit"?*

Employees with entrepreneurial spirit are characterized by curiosity and the desire to develop, promote and implement new ideas. They do not intend - at least in the short term - to start their own business or start a business.

There are numerous descriptions and countless scientific studies and treatises on entrepreneurship. The theses of Fleischmann (2018; p. 39-40) on entrepreneurial thinking outline what is meant:

" (...) entrepreneurial thinking (ET) is (or should be) characterized by the following attributes:

1. ET is hopeful thinking.
2. ET is melioristic thinking; it wants to make something better.
3. ET is holistic thinking, in the sense of connective thinking.
4. ET is action-oriented and team-oriented; it has a multiplier effect.
5. ET enables leadership, by embracing possibility.
6. ET is emancipatory thinking – a force against alienation.
7. ET is social and ethical thinking.
8. ET is heuristic and dialectical thinking; it rejects the hubris of certainties.
9. ET is utopian thinking.
10. ET is about connective problem-solving."

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[1] These aspects are also discussed under keywords like "corporate entrepreneurship" or "entrepreneurial innovation".

Since you read this manual, you are likely to be member of the target group "Employees with entrepreneurial spirit" - and we do not need to teach you the basics of entrepreneurship or introduce different theories of entrepreneurship etc. If you did not know, or at least have a clue, what entrepreneurship means, you would not be in this class...

The article "How to become an entrepreneur" der School of Life tries to give a simple introduction to the topic of "Entrepreneurship":

https://www.theschooloflife.com/thebookoflife/how-to-become-an-entrepreneur-2/

**Recommendation**

To deepen the knowledge on entrepreneurial approaches in (traditional) companies these books deliver a good insight :

- Corporate Entrepreneurship
- The Pragmatist's Guide to Corporate Lean Strategy
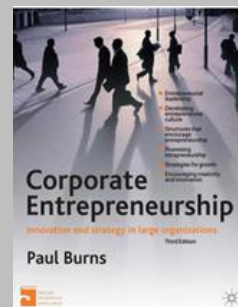
## 2.2 Objectives, content and sequence of the course

This course does not teach the "standard topics" that are commonly taught in the context of entrepreneurship. In the course of this course, we would like to teach you the basics of how you, as an employee with an entrepreneurial spirit, can succeed in the future, as outlined briefly above.

In addition to your specialist knowledge (which you bring from your vocational training and also through your work experience) and the business basics, you need above all knowledge in the following areas:

- Innovationmanagement, especially
  - Business models/Business model innovations and methods for teh development of business models
  - Tools/methods for the development of innovative products and services
- Management of innovation projects – especially workinmmg in teams, leading innovation teams, etc.

The course consists of two components

- Self-study phase
- Pesence phase

**Self-study phase:**

During the self-study phase, participants acquire the basics, i.e. they open up the background knowledge etc.
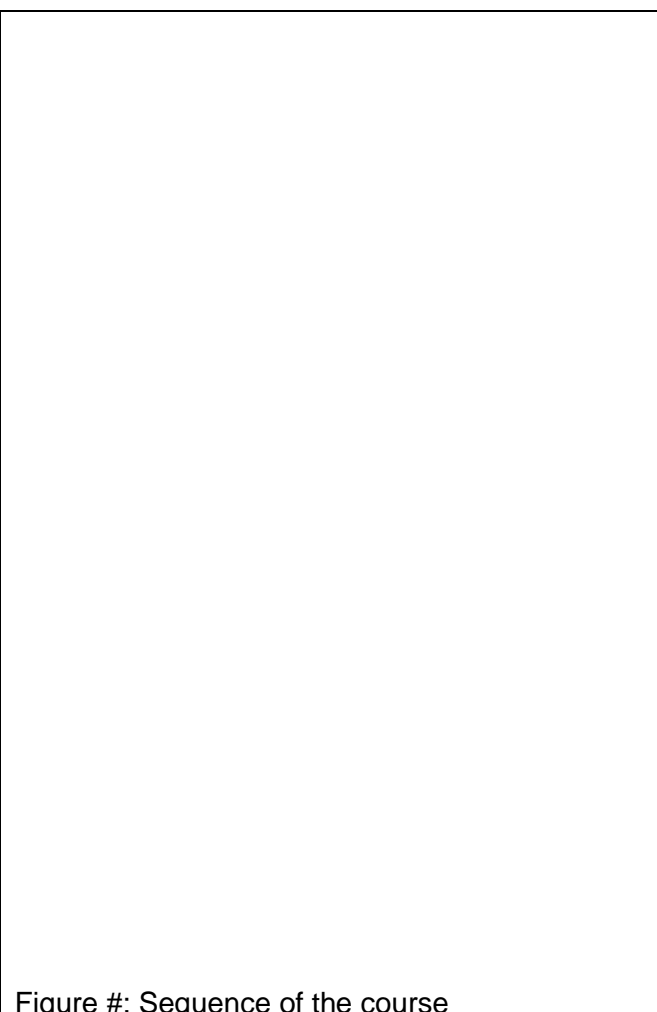
For this we only provide a framework - with brief summaries of the individual topics and references to appropriate literature, websites, articles on the internet, etc., where you can find the necessary knowledge.

This is also part of the course concept - because it is implicit part of entrepreneurial activity to organize and open up information, etc., to transfer it to one's own situation, to draw concrete conclusions for one's own professional activities, etc.

The preparation of the relevant knowledge is a prerequisite for participation in the presence phase.

**Presence phase:**

The central objective of the course is to use different tools and procedures in the presence phase, to understand the underlying thinking, to test cooperation with others, etc.

| | |
|---|---|
| Given that this course is compact in time, it concentrates in the presence phase on the processing of a case study, in the context of which a new business model is to be developed exemplary. This is done with the help of the method "Business Model Generation CANVAS". The participants work on the tasks in group work. Innovation teams are formed and planning for an innovation project is made. As part of the new business model, a new product and / or service will be developed using the innovation method "Design Thinking", and a prototype will be created and exemplary tested. The result of the work - the new business model - is presented and discussed in plenary. | |
| | Figure #: Sequence of the course |

The methods Business Model Generation CANVAS and Design Thinking have established themselves in recent years in business consultancies as well as in industry - in your

professional practice you will most likely encounter these methods (or modifications thereof)...

The individual days of the presence phase take place according to the following pattern:

- Short impulse by the teacher
  incl. the opportunity to ask questions
- Working on a case study / definition of tasks (group work)
- Presentation and discussion of the results in plenary

Figure #:

The teacher is available as a coach and consultant during the group work, moderates the process and answers further questions of the participants.

## The topics of the course

### 2.3 Innovation and business models

In the past, product and service innovations dominated in the field of business innovation, but in recent years the focus has increasingly shifted to so-called business model innovations. This is mainly due to the fact that, in the recent past, the vast majority of successful innovations have come about through the use of digitization opportunities. The greatest potential of digitization, on the other hand, is that it challenges traditional business models, redefines the "rules of the game", and "destroys" entire markets to complete industries. Most of the successful innovators come from very different industries or are often start-ups. Examples of this are u.a. amazon (trade / logistics), spotify (music), Tesla (automotive).

*Why does thinking in business models prevail?*

„A business model describes the rationale of how an organization creates, delivers, and captures value." (Osterwalder/Pigneur, 2010, p. 14)

A business model should clarify the complex functioning, that is the connections between different areas within a company, but also with the different actors in the environment of the enterprise (among others customers, suppliers). Depending on the underlying approach, business models are represented by a different number of elements; regardless, the questions to be handled are very similar, i.e. there are a few key areas to consider.

The idea behind the approach of business models is that the wheel does not have to be reinvented, but that in the development of new business ideas and business models you can orient on patterns and examples from other areas (e.g. industries, individual companies) and transfer these and their logic to your own business!

For this it makes sense to know some "typical" patterns or examples of business models. These include u.a.

- **Freemium:**
  Principle: The basis is for free - everything else has to be paid!

A well-known example of a freemium business model pattern is Skype:

„Skype developed software by the same name that, when installed on computers or smartphones, enables users to make calls from one device to another free of charge. Skype can offer this because its Cost Structure is completely different from that of a telecom carrier. Free calls are fully routed through the Internet based on so-called peer-to-peer technology that employs user hardware and the Internet as communications infrastructure. Hence, Skype does not have to manage its own network like a telco and incurs only minor costs to support additional users. Skype requires very little of its own infrastructure besides backend software and the servers hosting user accounts. Users pay only for calling landlines and mobile phones through a premium service called SkypeOut, which offers very low rates."
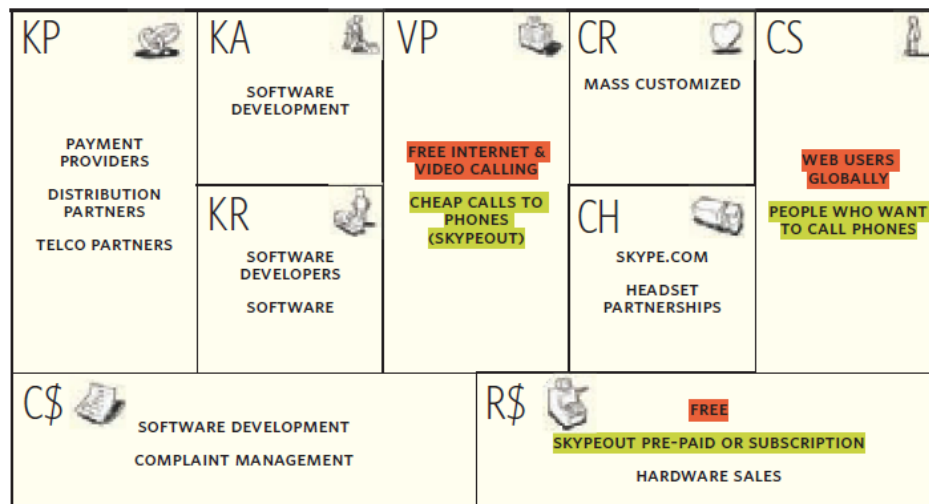(Osterwalder/Pigneur, 2010, p. 98)

Figure #:     Freemium pattern – the example of Skype
              (Source: Osterwalder/Pigneur, 2010, p. 98)

- **Bait and hook:**
  Principle: Cheap entry - necessary purchases in the future!
  („Loss-leader-model", „Razor-and-blades-model")

""Bait & hook" refers to a business model pattern characterized by an attractive, inexpensive, or free initial offer that encourages continuing future purchases of related products or services. This pattern is also known as the "loss leader" or "razor & blades" model. "Loss leader" refers to a subsidized, even money-losing initial offer with the intention of generating profits from subsequent purchases. "Razor & blades" refers to a business model popularized by an American businessman, King C. Gillette, inventor of the disposable razor blade (see p. 105). We use the term bait & hook pattern to describe the general idea of luring customers with an initial offering, while earning from follow-up sales. The mobile telecommunications industry provides a good illustration of the bait & hook pattern with a free offer. It is now standard practice for mobile network operators to offer free telephone handsets bundled with service subscriptions." (Osterwalder/Pigneur, 2010, p. 104)
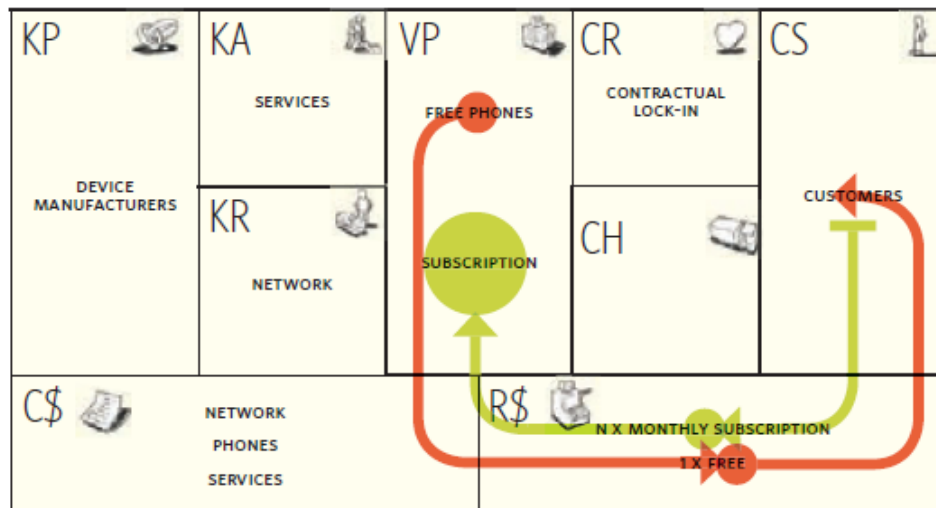
Figure #:      Bait & hook pattern – the example of free mobile phones
(Source: Osterwalder/Pigneur, 2010, p. 104)

- **Long Tail:**
  Principle: Sell less of more products!
  („niche strategy")

"Long tail business models are about selling less of more: They focus on oΩering a large number of niche products, each of which sells relatively infrequently. • Aggregate sales of niche items can be as lucrative as the traditional model whereby a small number of bestsellers account for most revenues. • Long Tail business models require low inventory costs and strong platforms to make niche content readily available to interested buyers."
(Osterwalder/Pigneur, 2010, p. 67)

## Old model

"The traditional book publishing model is built on a process of selection whereby publishers screen many authors and manuscripts and select those that seem most likely to achieve minimum sales targets. Less promising authors and their titles are rejected because it would be unprofitable to copyedit, design, print, and promote books that sell poorly. Publishers are most interested in books they can print in quantity for sale to large audiences."
(Osterwalder/Pigneur, 2010, p. 70)
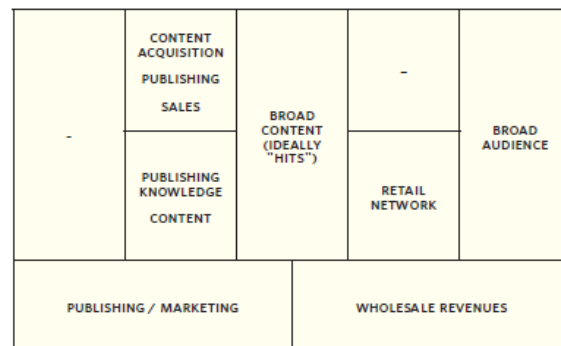
## A new model

"Lulu.com turned the traditional bestseller-centric publishing model on its head by enabling anyone to publish. Lulu.com's business model is based on helping niche and amateur authors bring their work to market. It eliminates traditional entry barriers by providing authors the tools to craft, print, and distribute their work through an online marketplace. (…) In fact, the more authors Lulu.com attracts, the more it succeeds, because authors become customers. (…) Thousands of authors use Lulu.com's self-service tools to publish and sell their books. This works because books are printed only in response to actual orders. The failure of a particular title to sell is irrelevant to Lulu.com, because such a failure incurs no costs."
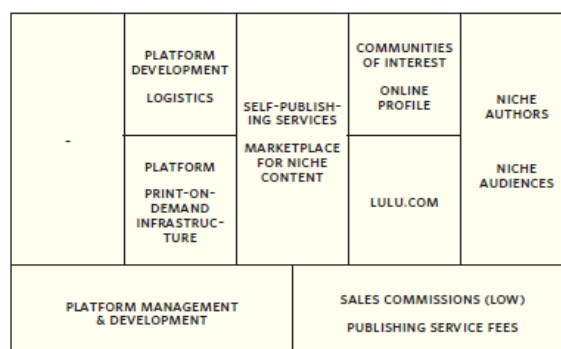(Osterwalder/Pigneur, 2010, p. 70)





Figure #:     Long tail pattern – the example of the book publishing industry
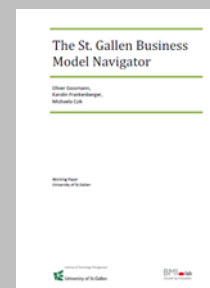              (Source: Osterwalder/Pigneur, 2010, p. 70-71)

**Further information on business model patterns and and examples of business models in**

Osterwalder/Pigneur (2010):
Business Model Generation

Gassmann et al.:
The St.Gallen Business Model Navigator



In relation to the development of innovations, this means that as a new product or service (and new customer segments) usually has consequences for the other elements, these elements are integrated into the process of developing new products and services.

## 2.4 Procedures for developing business models

There are different approaches to developing business models. Two of them are described below: The St. Gallen Business Model Navigator (Gassmann et al.) And Business Model Generation (Osterwalder / Pigneur 2010).

### 3.2.1 The St. Gallen Business Model Navigator

According to the approach of the University of St. Gallen, a business model is defined by 4 dimensions:

- **"Who:**
  Every business model serves a certain customer group.
  Thus, it should answer the question ´Who is the customer?

- **What:**
  The second dimension describes what is offered to the target customer, or, put differently, what the customer values. This notion is commonly referred to as the customer value proposition

- **How:**
  To build and distribute the value proposition, a firm has to master several processes and activities.

- **Value:**
  The fourth dimension explains why the business model is financially viable, thus it relates to the revenue model. In essence, it unifies aspects such as, for example, the cost structure and the applied revenue mechanisms." (Gassmann et al., p. 2)



Figure #:     Business model definition – the magic triangle
             (Source: Gassmann et al, p.2)

Researchers at the University of St. Gallen identified 55 business model patterns in the analysis of some 250 business models (see Gassmann et al., p. 5ff.). They discovered that about 90 percent of the business models are not new, but based on the intelligent re-combination of patterns of business models.

On this basis, the procedure for developing business models with the so-called St. Gallen Business Navigator was developed.

"The St. Gallen Business Model Navigator™ transforms the main concept – creating business model ideas by utilizing the power of recombination – into a ready-to-use methodology, which has proven its usefulness in countless workshops and other formats. Three steps pave the road to a new business model:

- **Step 1: Initiation – preparing the journey**

  Before embarking on the journey towards new business models, it is important to define a starting point and rough direction. Describing the current business model, its value logic, and its interactions with the outside world is a good exercise to get into the logic of business model thinking.

- **Step 2: Ideation – moving into new directions**

  Re-combining existing concepts is a powerful tool to break out of the box and generate ideas for new business models.

- **Step 3: Integration – completing the picture**

  There is no idea that is clear enough to be immediately implemented in a company. On the contrary, promising ideas need to be gradually elaborated into full-blown business models that describe all four dimensions - Who-What-How-Value? – and also consider stakeholders, new partners, and consequences for the market." (Gassmann et al., p. 6)

**Beispiel für eine Geschäftsmodell-Innovation - Nespresso**

Coffee - an old product re-staged

Coffee is an old - until a few years ago for most people boring - product. The company Nestlé has managed to reinvent the product coffee with a business model innovation. Until the 1990s, coffee was sold mainly in the grocery and in shops of large coffee roasters - ground, unground or as instant coffee, in pack sizes of 250 and 500 grams, at prices around the 3, - €.

The starting point for the now very successful Nespresso business of the company Nestlé was the invention of a coffee machine with the associated coffee capsule, which both were already patented in the 1970s. First attempts to launch the product in the market - target group were office operations - failed. Success did not materialize until the business model was changed.

Households were also addressed as a new target group, and coffee capsules were distributed by direct mailing of the capsules. The success of Nespresso is due to a combination of different business models:

- The coffee machines are sold at a relatively low price - the machine can only be used with the expensive coffee capsules ("Razor-and-blades"-business model combined with the "lock-in"-strategy: customers have to buy the Nespresso capsules).
- The distribution of the coffee capsules was initially exclusively through a membership in the Nespresso club, which was acquired with the purchase of the machine. The delivery

was made by mail. Members are regularly informed about new products, etc. In a next step Nespresso boutiques have been set up in some major cities (exclusivity through direct selling as a business model).

- Through the advertising campaign with George Clooney, Nespresso stages the product and gives the impression of acquiring an exclusive lifestyle of luxury with Nespresso (business model „Experience selling").



Thus, Nespresso has managed to sell the "boring" product coffee at a price of more than 80 euros for a kilo.

Nestle has reiterated the Razor-and-blades pattern for its tea and baby food products.

The following figure shows the "success model" Nespresso as a combination of three business model patterns:
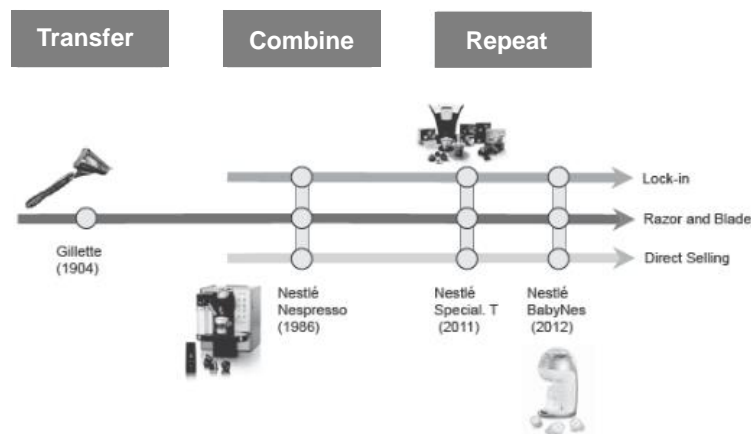


Figure #:      Nespresso as combination of three business-model-patterns
              (Source: Gassmann et al.: Geschäftsmodelle entwickeln, 2013, p. 21)

Note: Even innovative business models have a limited lifespan or change over time. Meanwhile, the patents for the Nespresso capsules - the basis for the Razor-and-blades business model - have expired and there are capsules from several other vendors who sell the capsules significantly cheaper.
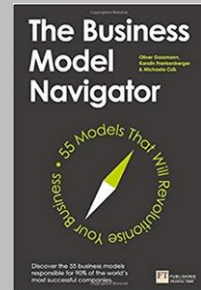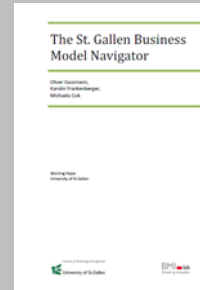
### 3.2.2  Business Model Generation (CANVAS)

The approach Business Model Generation CANVAS (Osterwalder / Pigneur, 2010) describes a business model based on nine building blocks:



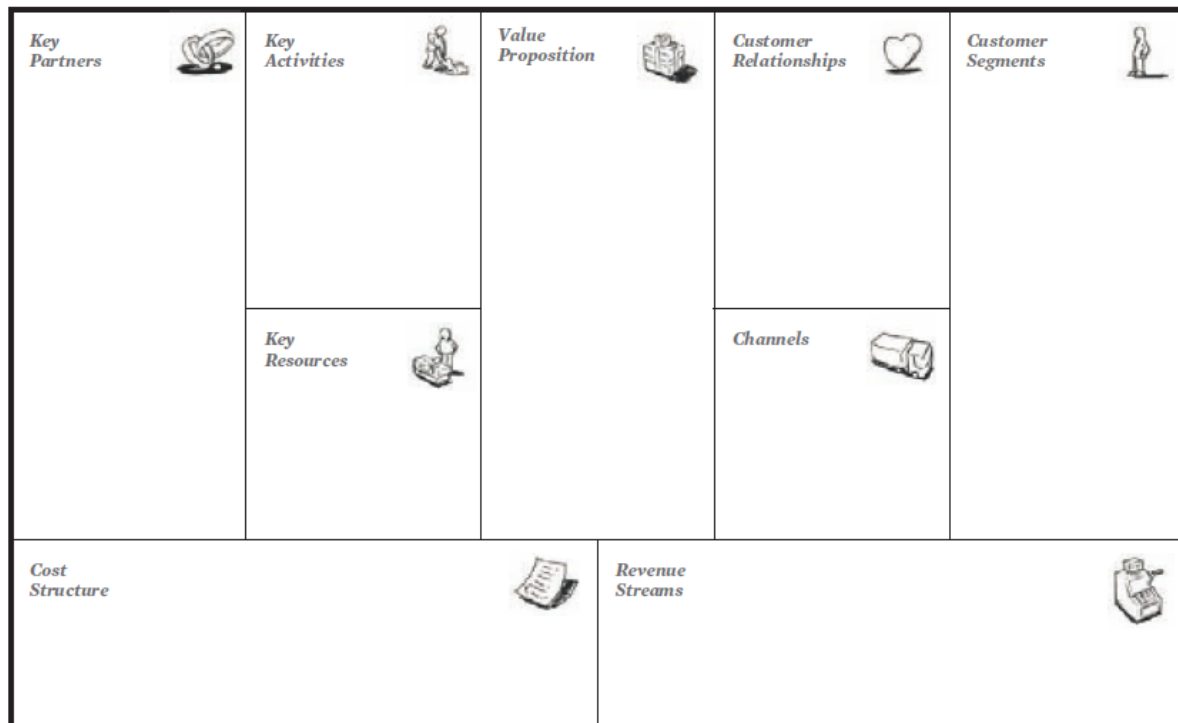Figure #:       The Business Model CANVAS
                (Source: Osterwalder/Pigneur, 2010, p. 44)

Here are the different components in detail:

Note: The order in which the building blocks are described in detail below corresponds to the order in which a business model is developed using the Buisness Model CANVAS method - business models are developed based on the customer segment and the value proposition.

***Customer Segments***

"The Customer Segments Building Block defines the different groups of people or organizations an enterprise aims to reach and serve.

Customers comprise the heart of any business model. Without (profitable) customers, no company can survive for long. In order to better satisfy customers, a company may group them into distinct segments with common needs, common behaviors, or other attributes. A business model may define one or several large or small Customer Segments. An organization must make a conscious decision about which segments to serve and which segments to ignore. Once this decision is made, a business model can be carefully designed around a strong understanding of specific customer needs.

Customer groups represent separate segments if:

- Their needs require and justify a distinct offer
- They are reached through different Distribution Channels
- They require diΩerent types of relationships
- They have substantially different profi tabilities
- They are willing to pay for different aspects of the offer"
  (Osterwalder/Pigneur, 2010, p. 20)

Find further information on that topic: Osterwalder/Pigneur, 2010, p. 21.


***Value Propositions***

"The Value Propositions Building Block describes the bundle of products and services that create value for a specific Customer Segment.

The Value Proposition is the reason why customers turn to one company over another. It solves a customer problem or satisfies a customer need. Each Value Proposition consists of a selected bundle of products and/or services that caters to the requirements of a specific Customer Segment. In this sense, the Value Proposition is an aggregation, or bundle, of benefi ts that a company offers customers.

Some Value Propositions may be innovative and represent a new or disruptive offer. Others may be similar to existing market offers, but with added features and attributes." (Osterwalder/Pigneur, 2010, p. 22)

Find further information on that topic: Osterwalder/Pigneur, 2010, p. 23ff.

***Channels***

"The Channels Building Block describes how a company communicates with and reaches its Customer Segments to deliver a Value Proposition

Communication, distribution, and sales Channels comprise a company's interface with customers. Channels are customer touch points that play an important role in the customer experience.

Channels serve several functions, including:

- Raising awareness among customers about a company's products and services

- Helping customers evaluate a company's Value Proposition
- Allowing customers to purchase specifi c products and services
- Delivering a Value Proposition to customers
- Providing post-purchase customer support"
(Osterwalder/Pigneur, 2010, p. 26)

Find further information on that topic: Osterwalder/Pigneur, 2010, p. 27.

### *Customer Relationships*

"The Customer Relationships Building Block describes the types of relationships a company establishes with specific Customer Segments.

A company should clarify the type of relationship it wants to establish with each Customer Segment. Relationships can range from personal to automated. Customer relationships may be driven by the following motivations:

- Customer acquisition
- Customer retention
- Boosting sales (upselling)

In the early days, for example, mobile network operator Customer Relationships were driven by aggressive acquisition strategies involving free mobile phones. When the market became saturated, operators switched to focusing on customer retention and increasing average revenue per customer.

The Customer Relationships called for by a company's business model deeply influence the overall customer experience." (Osterwalder/Pigneur, 2010, p. 28)

Find further information on that topic: Osterwalder/Pigneur, 2010, p. 29.

### *Revenue Streams*

"The Revenue Streams Building Block represents the cash a company generates from each Customer Segment (costs must be subtracted from revenues to create earnings).

If customers comprise the heart of a business model, Revenue Streams are its arteries. A company must ask itself, For what value is each Customer Segment truly willing to pay? Successfully answering that question allows the firm to generate one or more Revenue Streams from each Customer Segment. Each Revenue Stream may have different pricing mechanisms, such as fixed list prices, bargaining, auctioning, market dependent, volume dependent,or yield management.

A business model can involve two different types of Revenue Streams:

1. Transaction revenues resulting from one-time customer payments
2. Recurring revenues resulting from ongoing payments to either deliver a Value Proposition to customers or provide post-purchase customer support."
(Osterwalder/Pigneur, 2010, p. 30)

Find further information on that topic: Osterwalder/Pigneur, 2010, p. 31ff.

### Key Resources

"The Key Resources Building Block describes the most important assets required to make a business model work.

Every business model requires Key Resources. These resources allow an enterprise to create and offer a Value Proposition, reach markets, maintain relationships with Customer Segments, and earn revenues. Different Key Resources are needed depending on the type of business model. A microchip manufacturer requires capital-intensive production facilities, whereas a microchip designer focuses more on human resources.

Key resources can be physical, financial, intellectual, or human.

Key resources can be owned or leased by the company or acquired from key partners." (Osterwalder/Pigneur, 2010, p. 34)

Find further information on that topic: Osterwalder/Pigneur, 2010, p. 35.

### Key Activities

"The Key Activities Building Block describes the most important things a company must do to make its business model work.

Every business model calls for a number of Key Activities. These are the most important actions a company must take to operate successfully. Like Key Resources, they are required to create and offer a Value Proposition, reach markets, maintain Customer Relationships, and earn revenues. And like Key Resources, Key Activities differ depending on business model type. For software maker Microsoft, Key Activities include software development.

For PC manufacturer Dell, Key Activities include supply chain management. For consultancy McKinsey, Key Activities include problem solving." (Osterwalder/Pigneur, 2010, p. 36)

Find further information on that topic: Osterwalder/Pigneur, 2010, p. 37.

### Key Partnerships

"The Key Partnerships Building Block describes the network of suppliers and partners that make the business model work.

Companies forge partnerships for many reasons, and partnerships are becoming a cornerstone of many business models. Companies create alliances to optimize their business models, reduce risk, or acquire resources.

We can distinguish between four different types of partnerships:

1. Strategic alliances between non-competitors
2. Coopetition: strategic partnerships between competitors
3. Joint ventures to develop new businesses
4. Buyer-supplier relationships to assure reliable supplies"
   (Osterwalder/Pigneur, 2010, p. 38)

Find further information on that topic: Osterwalder/Pigneur, 2010, p. 39.

### Cost Structure

"The Cost Structure describes all costs incurred to operate a business model.

This building block describes the most important costs incurred while operating under a particular business model. Creating and delivering value, maintaining Customer Relationships, and generating revenue all incur costs. Such costs can be calculated relatively easily after defining Key Resources, Key Activities, and Key Partnerships.

Some business models, though, are more cost-driven than others. So-called "no frills" airlines, for instance, have built business models entirely around low Cost Structures." (Osterwalder/Pigneur, 2010, p. 40)

Find further information on that topic: Osterwalder/Pigneur, 2010, p. 41.

The method Business Model CANVAS has been widely used in practice in recent years - i.a. that's because business models can be visualized very well with this method. It is particularly suitable for generating ideas for new business models in a creative phase. Especially for work in groups or workshops, the ideas of the persons involved can be gathered together with a template of the empty CANVAS and post-its and combined into different business model options.

A detailed description of the approach Business Model CANVAS and a very descriptive presentation of the development of new business models with numerous examples from different industries can be found in the book by

Osterwalder/Pigneur (2010): Business Model Generation

Under the following links you will find two interesting videos explaining the CANVAS business model and explaining the individual steps from the idea to the business model.

Business Model Canvas Explained:
http://www.youtube.com/watch?v=QoAOzMTLP5s&list=TLOkyf0lXL67wlZln9WDYFzAt55m0Qt5U8

Videoclip-Serie "From Idea to Business":

http://www.youtube.com/playlist?list=PLBh9h0LWoawphbpUvC1DofjagNqG1Qdf3

To assist in applying the method on the website https://canvanizer.com/ you find an online-Tool for the development of business models.

In the appendix you will find a short manual for using the method and a CANVAS template.