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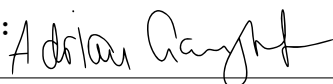
Business Model Innovation of  
the Mexican Social Enterprise  
Disruptive Option

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**Synopsis:**

This master thesis describes a work of the author on the fourth semester of the Entrepreneurial Engineering program at Aalborg University. The theme for this thesis is within business model innovation and social entrepreneurship. The goal of this project is to innovate and design a new business model and the related action plan for implementation.

In this thesis, the author collaborates with the company Disruptive Option from Mexico City. This thesis is built up as a case study to investigate growth and social impact generation. The initial phase of the thesis is the exploration of different theories, followed by business model innovation process of the company. This includes the ability to understand the set up of the company and its products, the application of the prior elaborated theories on the business model of Disruptive Option and the proposal of an action plan, which describes the path to growth.





# Preface

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This Master Thesis is written by Adrian Gangkofer of the 4th semester of the Entrepreneurial Engineering Master's program at Aalborg University, in collaboration with Disruptive Option in Mexico City. Disruptive Option is a social enterprise with its focus on education, where Adrian Gangkofer was able to receive data for his case study but also useful advice for working in the social environment. This thesis demonstrates the process of business model innovation in a social entrepreneurship environment. The thesis' goal is the presentation of a method to create a business model which is able to aim for the most impact and sustainable outcome. Finally, this method is applied on Disruptive Option's business model. This simplifies the process of business model innovation with focus on social value creation by showing the process with a real life example, in this case, Disruptive Option.

Knowledge and methods for the thesis have been obtained through supervisor meetings, lectures, external literature, professors etc. Throughout the thesis there are several references. These are compiled at the end of the report in a complete bibliography. The references will follow the standard Harvard model, so that the references are presented as so; [Surname, Year]. These references lead the reader to the bibliography where literature is submitted with author, title, edition and publisher, while web-pages are submitted with author, title, and URL. Figures and tables are numbered according to the chapter, i.e. the first figure in chapter 5 would be numbered 5.1 and the second 5.2 etc. Explanatory text is displayed below the figures, whereas this explanatory text is displayed above tables and the sources are displayed below them.

**Acknowledgements**

First, I would like to thank Disruptive Option for this incredible opportunity to collaborate with me. It allowed me to experience the social entrepreneurship environment and working culture, which I am very passionate about. Also, the gained experience of living in Mexico City and working from there would not exist without Disruptive Option. Especially, I want to thank Yanira Matienzo, who was always there when I had questions and supervised me throughout the whole process.

I also want to express sincere thanks to my supervisor, Frank Gertsen, for guidance and great help throughout the development of this project.

# Executive Summary

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The idea of this master thesis was generated through a collaboration with Disruptive Option. The company is a social enterprise from Mexico City, focusing on social innovation through educational products. Because of Disruptive Option's start up character, its business model needed to be innovated to be able to reach new growth. Together with them, the topic of this thesis was selected and designed as a case study within the environment of social entrepreneurship and business model innovation. Therefore, this thesis investigates the question of how to innovate Disruptive Option's business model with the spotlight on social impact generation and economical sustainability.

To answer this question, a deep dive into the different theories of business model innovation and the concepts of innovating a social enterprise to become more sustainable and have a bigger impact on social value creation, is created. After the presentation of theories, which can be used in the business model innovation process, a business model innovation framework is chosen to accompany Disruptive Option through the process of innovation and through this case study. This framework is based on four steps:

1. Analysis of the current business model  
The current business model and structure of the organization are studied in this step to determine the strengths of Disruptive Option.
2. Designing a new business model  
In this step a new business model is developed. This is done by applying the prior elaborated business model innovation theories onto the business model of Disruptive Option, while still considering the strengths of the organization. To finalize the new business model of Disruptive Option, it needs to run through a risk management process.
3. Action plan  
In this stage of the process, an action plan with milestones is required to provide Disruptive Option with a path to execution of this new business model. This action plan includes the introduction of new motivational behavior into Disruptive Option. Also, a restructuring process of human resources and the acquisition of new activities like collaborating with different organizations or lobbying, are described. The last step to achieve growth is the incorporation of a subscription model into the business of Disruptive Option.
4. Implementation  
The implementation of the action plan will be done by Disruptive Option. All necessary information for implementation is provided through this thesis. Due to time limitations, this thesis is only able to focus on the first three steps.



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# Introduction

# 1

Currently, the debate about climate change, driven by students, puts the spotlight on environmental preservation into daily discussions in media and politics (Penna and Noor, 2019). This engagement of young people caring about the earth and its environment exposes a massive increase of engagement towards making the world a better place. One tool to exploit the engagement and willingness to change the world towards better and fairer living, is social entrepreneurship.

Also, worldwide there has been a high participation of establishing and running enterprises with social purposes. "3.2 per cent of the world's population was engaged in starting a social venture (compared with 7.6 per cent starting commercial ventures) and 3.7 per cent running an established one." (Groom, 2018).

Considering the high amount of participation in social enterprises and the current environmental engagement of young people, social entrepreneurship will become more and more a crucial and essential topic in the future.

After illustrating the importance of social entrepreneurship, an enterprise with social purpose can only generate the most impacting outcome by continuously changing and innovating its business.

## 1.1 Motivation

Being affected by the current environmental and social debate as well, I wanted to find a topic for this thesis in the social entrepreneurship environment. Knowing this and being aware of the importance of business innovation in entrepreneurship, I was looking for interesting social enterprises, which could provide an interesting case for my master thesis. The reason for seeking a collaboration partner was my motivation of keeping my master thesis more related to reality. In my opinion, the greatest learning progress can be achieved by connecting my thesis to the real business environment, which created the idea of realizing a case study.

I found Disruptive Option in Mexico City. Disruptive Option has worked on plenty of social projects with the focus on education and was willing to agree on a collaboration for my master thesis within the topics of business innovation and social entrepreneurship.

## 1.2 Problem Formulation

Disruptive Option has been on the market for 1.5 years and is still considered a start up. The company has been in the phase of exploration of the market and adjustment of its business. Ending this phase, Disruptive Option is in need of a sustainable and socially impacting business model, which can be developed by the process of business model innovation. A comprehensive perspective on the problem can be provided by the following research question.

### 1.2.1 Research Question

How to innovate the business model of the social enterprise, Disruptive Option, to generate as much social impact as possible and simultaneously create a sustainable business?

# Methodology 2

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First, this chapter puts its spotlight onto the preliminary research, describing the path to the thesis' research question. Then it focuses on the applied research methodologies and research methods. While a research method illustrates a way of conducting a research, the methodology covers the science and philosophy of all research (Adams et al., 2007b).

The applied and written methodologies are mainly inspired by the book "Research Methods for Graduate Business and Social Science Students", especially by two chapters, the Research Methodology (Adams et al., 2007b) and Research Methods (Adams et al., 2007a). This book was selected due to its many guidelines for business related research. While it does not provide a strict frame for executing a research, many theories by Adams et al. (2007b) can be used as orientations in a business related research process.

## 2.1 Preliminary Research

The first step to start with this thesis was kick-starting the selection process of finding and refining ideas for this research project. While the topic had to align with the requirements of my study program, the topic also had to meet my interests into entrepreneurship as well. After considering my last projects to display my strengths and weaknesses, the topic of business development was chosen. Then, looking into business development in combination with entrepreneurship, my strive for making the world a better place, appeared. Therefore, I started looking into social enterprises which currently run through a business transformation process. After a while, I found Disruptive Option in Mexico City, which was able to provide me with an opportunity to be part of the business development process. The idea of diving into business development in social enterprises was created. In meetings with Disruptive Option, the framework and my development limits were explained. These limitations helped constructing the research objective and finally the research question.

With the help of using the model "SMART" by Maylor and Blackmon (2005), the research question could be designed and checked in a comprehensive way. SMART stands for Specific, Measurable, Achievable, Realistic and Timely.

- **Specific** - It needs to be specific to see what is hoped to be achieved by this research.
- **Measurable** - It needs to be measurable to see if the objectives have been achieved.
- **Achievable** - The goals need to be physically possible to even achieve them.
- **Realistic** - The objective needs to be realistic to even be able to put sufficient time and energy into the projects.
- **Time-framed** - The goals need to be achieved in a limited time frame.

The objective here, after discussing about it with Disruptive Option, was the design of the process of changing the business of Disruptive Option to produce more social impact and be at the same time financially sustainable. The question rose, how to approach this objective. By applying the “SMART” model, a concrete research question can be created and refined.

The specific part of the research objective is social entrepreneurship and business model innovation in combination with improving social impact and creating a sustainable model for Disruptive Option. The outcomes of creating more social impact can be measured. Furthermore, focusing on being achievable, the creation of more social impact is physically possible. While the first three points go along with the research objective, the last two characteristics of SMART make the approach on the research objective more difficult. First of all, the innovation process is realistic and can be executed in a certain time, but due to my limitation of time during this project, a fully comprehensive measurable result will not be able to be presented. To create such a result, a time frame of more than a year is required. The limitation on time forces me to withdraw the measurement of results, which lead to more social impact and a more financially sustainable business model.

After applying the SMART model onto the research objective of this paper, a research question can be created.

**How to innovate the business model of the social enterprise, Disruptive Option, to generate as much social impact as possible and simultaneously create a sustainable business?**

## 2.2 Research Methodology

Again, the research methodology goes into the science and philosophy of the process of research. It helps to define the limitations towards every research project and questions the real understanding of knowledge. Due to challenging the idea of knowledge, methodology becomes a crucial part in terms of answering the research question of this thesis. Adams et al. (2007b) proposes, only by understanding the creation of knowledge, the researcher is “also in a position to understand what might be wrong with it.”(Adams et al., 2007b,p. 2). The following methodology guidelines help to understand through critical and analytic thinking to distinguish truthful or untruthful facts to reach the goal of extending and deepening our understanding of our world.

### 2.2.1 Research Approaches

Knowing the core idea of research methodology, it can be applied on the different approaches of handling a research project. The most common approaches are the quantitative research and the qualitative research. Both provide a guideline in choosing the design of a research, relating to types and combinations of research studies and designs.

## Quantitative Research

This type of research is based on positivism and requires a strict research design prior to research start. The main purpose of quantitative research is the application for quantitative measurement and the consequent statistical analysis (Adams et al., 2007b,p.2).

## Qualitative Research

This type is based on methods of non quantitative data collection and analysis. The main input is generated by the "exploration of social relations, and describes reality as experienced by the respondents."(Adams et al., 2007b).

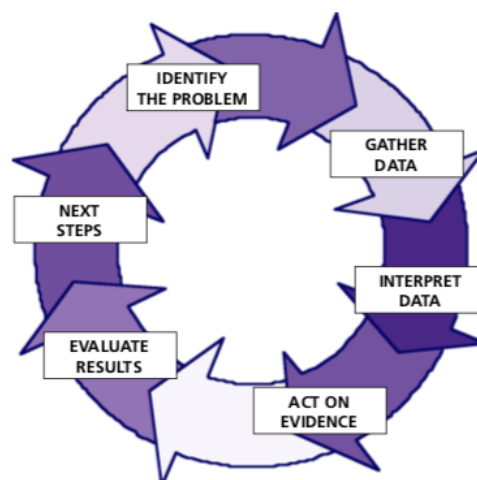
## Applied Research

The reason of applying an applied research approach is based on the idea of a decision-finding process to a specific real-life problem. For this paper, the action research approach is selected together with the qualitative approach.

- **Action Research**

Regarding to Reason and Bradbury (2011), action research comes into play when people try to work together to solve problems in their organizations or communities, through small scale change affecting only the organization or on a big scale affecting millions of people. Even though action research is considered a methodology, it is more an orientation to create participatory engagement for a specific topic. Action research can be defined as "a participatory process concerned with developing practical knowing in the pursuit of worthwhile human purposes. It seeks to bring together action and reflection, theory and practice, in participation with others, in the pursuit of practical solutions to issues of pressing concern to people, and more generally the flourishing of individual persons and their communities." (Reason and Bradbury, 2011,p.5).

The action research approach can be seen as a repeating action and reflection circle as displayed in the following picture.



**Figure 2.1:** Action Research circle (Ferrance, 2000)

The process is assembled by six different parts as described by Ferrance (2000):

1. **Identify the problem**

The problem should be designed as a concise, meaningful and high-order question.

2. **Gather data**

The gathering of data is essential for creating a decision towards which action is required.

3. **Interpret data**

This part relies on the analysis and identification of the most fundamental topics.

4. **Act on evidence**

After interpreting the data and using the chosen literature to review the current state of the project, the researcher needs to design an action plan including all inputs. After creating the plan, the implementation is following.

5. **Evaluate results**

After the implementation, an assessment of the executed action needs to be accomplished to see what has changed.

6. **Next steps - start from the beginning**

If a bigger improvement potential is found during the action research process, next steps can be initiated by starting the process from the beginning.

In this thesis, the action research approach can be applied on the research objectives. The process identifying the problem can be seen in chapter 1.2. In chapter 4, the framework of this thesis gets precisely described, which covers the process of gathering data, interpreting the data and act on the evidence. Furthermore, the time which is required to see essential changes due to business model innovation, especially in the creation of social impact, will exceed the time of the master thesis project. Therefore, the last two steps of the action research, including the evaluation process, can not be totally executed.

### 2.2.2 Style of Reasoning

All research is only based on two styles of reasoning. These are Inductivism and Deductivism (Adams et al., 2007b).

- Inductivism

This style of reasoning commits to the idea of observation or in other words, to empirical verification. Through the process of observation, general conclusions are drawn. As mentioned by Adams et al. (2007b), "[the] inductivist method [...] operates from the specific to the general"(Adams et al., 2007b,p.5).

- Deductivism

Here, the method works form "the general to the specific" (Adams et al., 2007b,p.6). This means, this process is based on the presence of universal laws. These are only seen as hypotheses and are required to be tested against the predicted outcomes of these laws, while applied on to the research objective.

Applying the style of reasoning onto this research objective, both styles need to be used. Through the style of inductivism, the needed data for the analysis is acquired. Continuing with the selection and application of the theory based on the gathered empirical data, the

style of deductivism comes into place. The method requires the process of selecting specific theories for this case, followed by applying these theories.

## 2.3 Research Methods

This section deals with the applied research method. As mentioned before, the research method is the way of conducting the research (Adams et al., 2007b). Since the method is already disclosed prior in this paper, the concept of a case study is described here as the main research method.

### 2.3.1 Case Study

Case studies are described by Adams et al. (2007a) as the process of studying "particular phenomena in particular settings"(Adams et al., 2007a,p.6). Due to the focus on a particular phenomena, the scope of a case study is designed very narrow, which leads to a difficult process of generalization of results. Instead of the generalization process, case studies concentrate more on the "uniqueness, understanding and particularization"(Adams et al., 2007a,p.6) of a research objective. Furthermore, the reason of conducting a case study in this thesis originates from the fact, case studies "generate rather than test hypotheses" (Adams et al., 2007a,p.6).

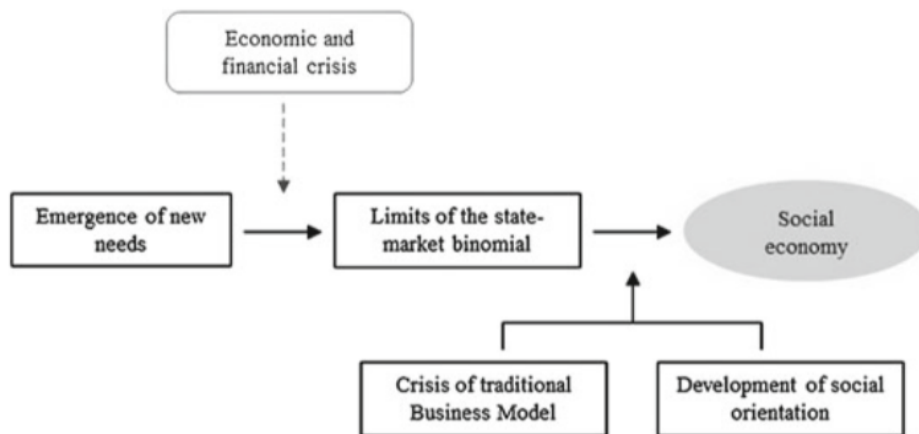
In this thesis, the method of conducting a case study was chosen, because of its narrow scope. The research process only takes place in the company, Disruptive Option. The result of this case study should only be specifically designed to satisfy Disruptive Option's innovation process and should not be able to be generalized. And while answering the research objective, new hypotheses are created while applying theories onto the research content. Due to already mentioned time limitations, these hypotheses will not be able to be tested and answered in the provided time frame of this thesis.

## 3.1 Social Entrepreneurship

Due to the research questions, which lies out the borders of this thesis with its spotlight on social entrepreneurship and business model innovation, the concept of social entrepreneurship needs to be explored first including the history of social entrepreneurship.

### 3.1.1 The History of Social Entrepreneurship

The concept of social entrepreneurship surfaced because of plenty coincidences along the development of the capitalistic market structure. As described by Grieco (2015a), based on the current economy trends like globalization, low rates of economic growth, and the increasing complexity of society, the model of development has changed over the years. This change came along with a massive emergence of new needs and services. Demographic and economic changes like the entrance of women into the workforce, migratory flows and the appearance of a more knowledge based economy, which have led to big consequential changes. (Grieco, 2015a)



**Figure 3.1:** The path to a social economy (Grieco, 2015a,p.7)

In Figure 3.1, the way to a necessary social economy is described based on the mentioned emergence of new needs as described before.

A social economy is a "set of organizations that primarily pursue social aims and are characterized by participative government systems" (Grieco, 2015a,p.13). The following



illustration, adds to the understanding of social economy the interrelations among the state and the private market.



**Figure 3.2:** The location of social economy (Grieco, 2015a,p.14)

Due to the appearance of new needs and the generation of new needs, the demands of people have become more complex and far reaching (Grieco, 2015a).

The next step which leads to a healthy social economy is the occurring limits of the markets. This means, the economic, social and political institutions, which normally are responsible for caring about the basic needs and rights of the people, are failing to deliver during the emergence of new needs. Furthermore, the financial crisis played a big role in the process towards a social economy as well. The crisis led to a growing inability of governments to pay enough attention to everybody's needs (Pless, 2012).

But to create a social economy, business models need to be reviewed and changed, forced by the necessity of new forms of businesses and organizations away from the capitalistic old system to a "more sophisticated form of capitalism that is in some way connected with social purpose" (Grieco, 2015a,p.11). This leads to business model innovation towards models connected to social purpose. Social purpose stands for the blend of economic activities and social mission, while developing new ways of social engagement (Porter and Kramer, 2006).

The last step on the way to a social economy is the process of social orientation.

First, at the start of the 20th century, entrepreneurs main orientation was production oriented. Followed by a period of market oriented businesses due to an economical up-rise after World War II and the more intense competition. The only way to survive as a company at this time, was acquiring the capability of listening to the market and orienting its company after the market. After the market hit saturation, companies needed to fight for their customers, which only could be solved by finding a marketing oriented strategy to attract more customers. But all these changes in their strategies have not been enough

to create relationships of trust with all the companies' stakeholders and satisfy the general opinion of addressing the environment as a company. This led to a social orientation of companies which is followed by the up-rise of social entrepreneurship and a more social economical market. (Grieco, 2015a)

### 3.1.2 Definition Entrepreneurship

To be able to define social entrepreneurship, the term entrepreneurship needs to be analyzed first.

Shane and Venkataraman defines entrepreneurship as the discovery, evaluation and exploitation of opportunities to create future goods and services (Shane and Venkataraman, 2000). This definition leads to the assumption, one of entrepreneurship's core idea is based on a risk taking activity to generate profit in accepting and exploiting an opportunity.

Another definition is provided by Schumpeter (1934), who describes entrepreneurship with an emphasis on innovation by focusing on the introduction of new goods, new methods of production, new supplies of raw materials or new forms of organizations.

Combining these two definitions into a comprehensive view on entrepreneurship, three elements need to be highlighted. Entrepreneurship is built on the idea of generating profit by taking risks through innovative activities.

### 3.1.3 Definition of "Social" in Social Entrepreneurship

After clarifying the term entrepreneurship, the social part of social entrepreneurship needs to be analyzed. This subsection aims to provide a definition and an idea of what the term "social" in social entrepreneurship stands for.

Having the "social" fully included in its mission statement, a business can execute its mission statement in certain enterprise types. Tan et al. (2005) propose a frame, which classifies four types of social enterprises and helps to understand what "social" in social entrepreneurship means.

Type	Example
Community-based enterprises	Charitable organizations which try to achieve their social goals involving risk-taking and innovation
Socially responsible enterprises	Businesses that see members of a community as employees and simultaneously providing benefits for their communities
Social Service Industry Professionals	Businesses which target the social service industry as their clients
Socio-economic or dualistic enterprises	Businesses which not only focus on profits but also leading non-profit organizations to carry out activities for their community

**Table 3.1:** The four types of social enterprises and their focus on "social"(Tan et al., 2005)

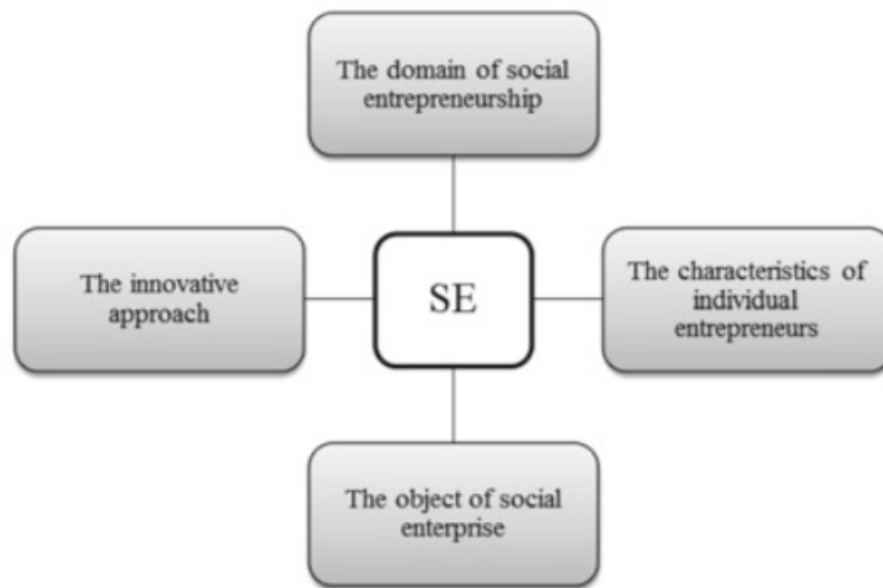
This framework provides a concept of how businesses can engage in a social environment. But after all, the main objective of social entrepreneurship is to create social benefit. To do so, social entrepreneurship should not be limited to these four types, which can be seen in table 3.1, but provide business leaders with ideas for constructing their strategy on their way to create social value.

Not included in this framework is the concept of corporate social responsibility (CSR). "CSR programs focus mostly on reputation and have only a limited connection to the business" (Porter and Kramer, 2019,p.343). On first sight, the idea of CSR can be part of the concept of social entrepreneurship, because of a company's drive to do something good for society with its CSR programs. But as Porter and Kramer (2019) clarifies, CSR is often only a tool to improve a company's reputation and the "doing good" part only has limited ties towards the company's main business. Compared to social enterprises, which base their value proposition on social impact and social value creation, companies with CSR programs put always their main business first and limit their CSR programs to "corporate footprint and CSR budget" (Porter and Kramer, 2019,p.344).

Another perspective is provided by Venkataraman (1997), who claims that "social" is a by-product of entrepreneurship. He writes, "entrepreneurship is particularly productive from a social welfare perspective when, in the process of pursuing selfish ends, entrepreneurs also enhance social wealth by creating new markets, new industries, new technology, new institutional forms, new jobs, and net increases in real productivity"(Venkataraman, 1997,p.133).

#### **3.1.4 Definition of Social Entrepreneurship**

After exploring the "social" in social entrepreneurship, the definition of social entrepreneurship can finally be disclosed. Regarding to Grieco (2015a), to be able to define social entrepreneurship, it needs to be divided into four different building blocks.



**Figure 3.3:** The four building blocks of social entrepreneurship (Grieco, 2015a,p.20)

In figure 3.3, these four blocks, which are required for defining social entrepreneurship, are displayed. Only by defining each building block, a comprehensive definition can be achieved.

As social entrepreneurship is still considered a new field of study, a concrete and unique definition for all of the four building blocks cannot be provided.

### **The domain of social entrepreneurship**

First, the definition for the domain of social entrepreneurship needs to be answered. Different authors have different definition for this domain. The most broad definition delivers the OECD (1999), "any private activity conducted in the public interest, organized with an entrepreneurial strategy but whose purpose is not the maximisation of profit but attainment of certain economic and social goals"(OECD, 1999,p.10). This definition includes the factor of social entrepreneurship not putting the focus on the growth of profit but on economic and social goals within an entrepreneurial environment. Another definition by Mair and Marti (2006) describes social entrepreneurship as innovative business which deals with social value creating activity. This can take place within or across the non-profit, business or government sector. Here, the definition narrows social entrepreneurship down to a social value creating activity in non-profit, for profit and governmental institutions.

### **The characteristics of individual entrepreneurs**

To define social entrepreneurship, the entrepreneur itself needs to be taken into consideration as well. The entrepreneur shapes the institution and provides the business with a direction for the future. Again, researchers cannot agree on one definitions, which leads to many different definitions including the entrepreneur's traits necessary to be

able to lead a social enterprise. Mort et al. (2003) focuses more on the entrepreneur's drive to create more social value than the entrepreneur's competitors in an entrepreneurial environment. While Hartigan (2006) merely describes an social entrepreneur as somebody whose goal is to progressively reach social transformation. Different specific characteristics and traits of an entrepreneur, to name a few, are being innovative, resourceful and opportunity aware.

### **The object of social enterprise**

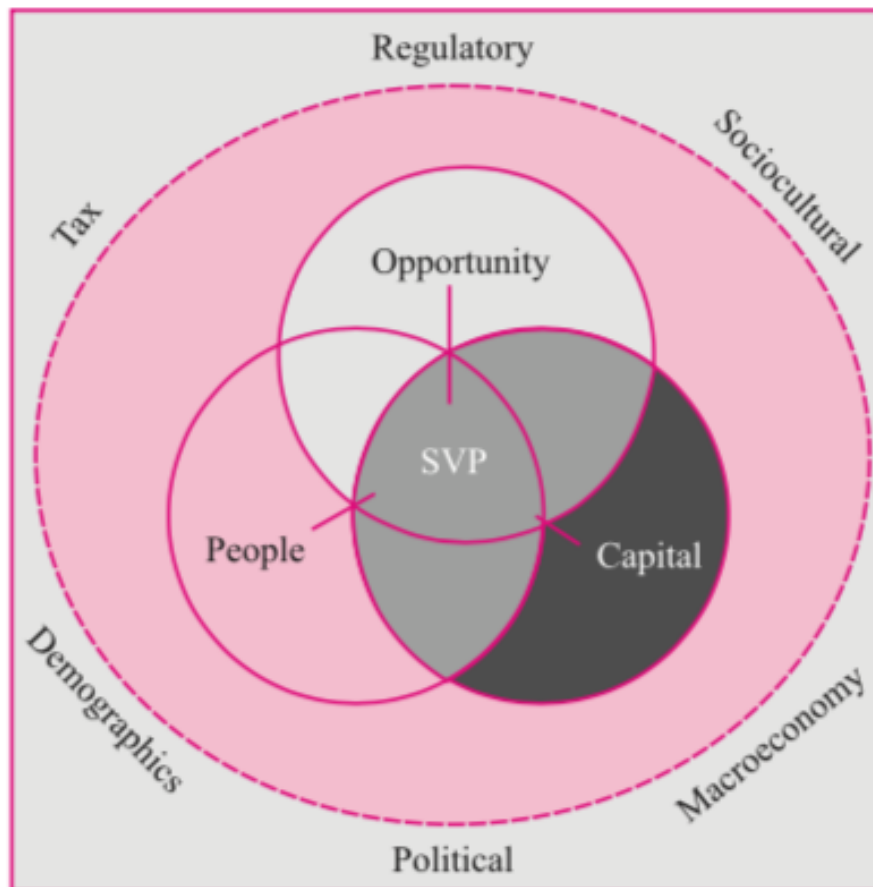
Regarding to Grieco (2015a), the process of defining social enterprises has become rather difficult due to its hybrid structure. Among all definitions, the core drive of every social enterprise is the creation of social value instead of the goal to create as much personal and shareholders' profits as possible. Now, as Musinsky and Trieschmann (2017) describe, that entrepreneurs who are "passionate about creating positive change in their communities are also exploring for-profit solutions to social issues"(Musinsky and Trieschmann, 2017,p.34). This shift into the for-profit sector makes the definition process so difficult. Some argue, that the social mission should be the main focus of an social enterprise, others are convinced to sustain itself as a company, where the economic side should be considered to the same extend as the company's social mission. (Grieco, 2015a)

### **The innovative approach**

The last building block for completing the comprehensive definition of social entrepreneurship is the innovative approach. The innovative approach is regarding to Grieco (2015a) a driving factor and a common feature of every social enterprise. According to Light (2006), social enterprises are always related to "pattern-breaking ideas" (Light, 2006,p.50), which is the core of the innovative approach in social entrepreneurship. The innovative approach drives entrepreneurs to come up with new products and services and a new way of delivering these new values to the community. The OECD (2011) describes the process of the innovative approach like there "is social innovation wherever new mechanisms and norms consolidate and improve the well-being of individuals, communities and territories in terms of social inclusion, creation of employment, quality of life"(OECD, 2011,p.13).

#### **3.1.5 Social Value Proposition**

Austin et al. (2006) created a social entrepreneurship framework, which illustrates all its influences on a social enterprise. This framework can be seen as a tool to execute the transition from the idea of social entrepreneurship and its definition towards the inclusion of social entrepreneurship into a business model. The concept of business modelling is next to social entrepreneurship the other base, on which this thesis is built on.



**Figure 3.4:** Social entrepreneurship framework (Austin et al., 2006,p.380)

Figure 3.4 highlights the social purpose or here called social value proposition (SVP) as the central element of a social enterprise. Opportunity is one of the most influential factors, as it is the starting point of each enterprise. The other main factor is resources, which allows the enterprise to exist. This includes, as shown in figure 3.4, people and capital. People are the executive force to fulfill the company's social value proposition. The capital at the beginning of a social venture boosts the company's social impact and the achievement of a company's value proposition. Surrounding this main framework are contextual forces shaping the variables like political influences or demographics. (Austin et al., 2006)

All these different influences may help a company to shape its value proposition towards a social value creating business. The following chapter illustrates the importance of a value proposition and the interaction with a business model.

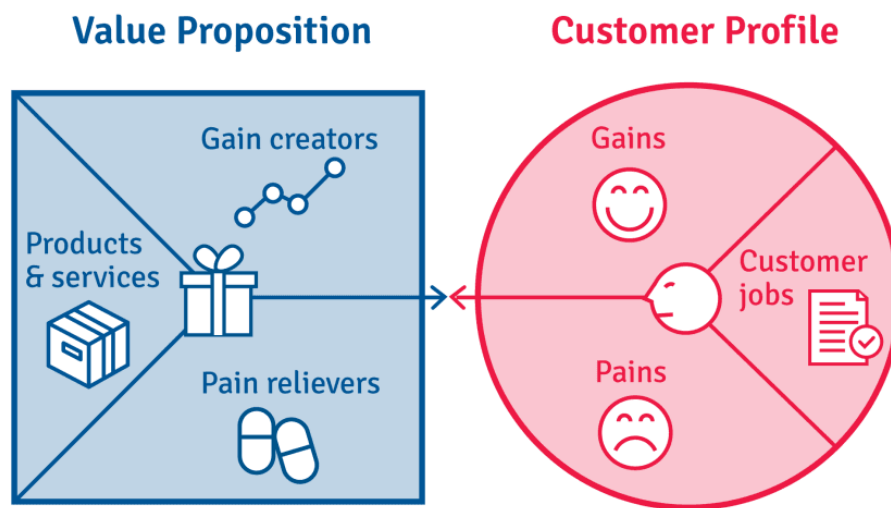
## 3.2 Business Model

To be able to answer this thesis' research question, the concept of business modelling needs to be explored. The first step is the creation of a value proposition. The prior framework of social value proposition can be used. While organizing the company's environment around the social value proposition, this framework produces important and influential insight for creating a company's business model.

Then, before focusing on the whole business model, another tool can become handy to understand the company's core, the Value Proposition Canvas.

### 3.2.1 Value Proposition Canvas

The previous model of Social Value Proposition provides the idea of the value proposition. This tool helps businesses to confirm their value propositions while trying to interpret customers' needs. As well this model as the "Jobs to Be Done" theory by Christensen et al. (2016) is based on the understanding of company's customer jobs. Customer jobs are defined as "the progress that a customer desires to make in a particular circumstance" (Christensen et al., 2016,p.43) and the value proposition's products and services should be able to fulfill these customers' jobs. To put it simple, the Value Proposition Canvas is a "simple way to understand customer needs, and design products and services they want." (Strategyzer, n.d.). This can be translated into the task of trying to match the organization's value proposition with the needs and wants of its customers.



**Figure 3.5:** Value Proposition Canvas (B2B International, n.d.)

### 3.2.2 Definition of a Business Model

Due to the design of a business model and its relation to the business' operations, the importance of a business model is undeniably. As Taran et al. (2015) put it, an effective business model "is the core enabler of any company's performance" (Taran et al., 2015,p.301).

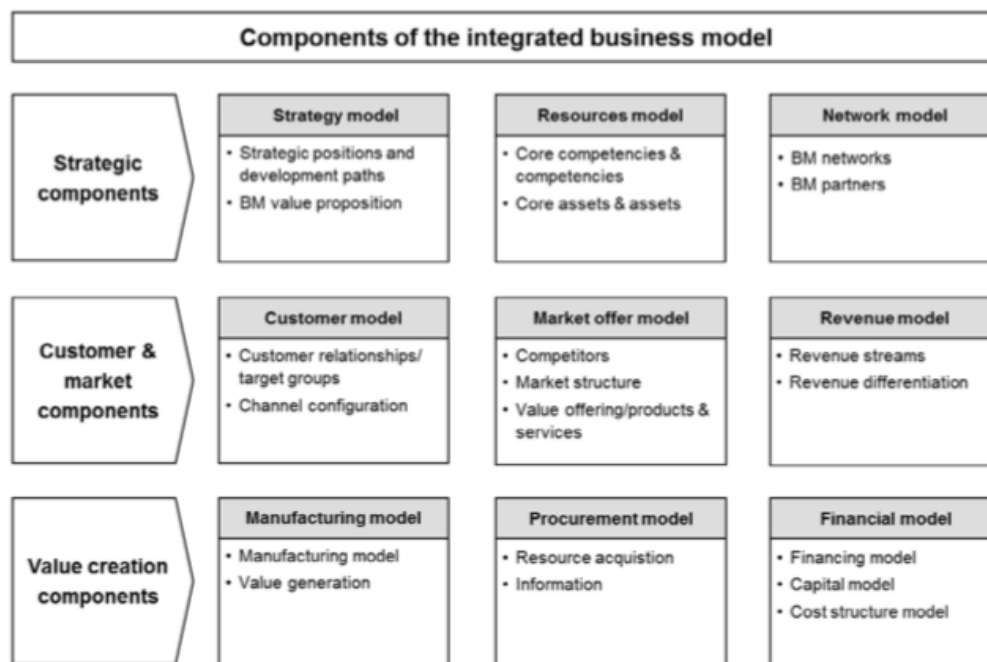
But before getting closer into business modelling, the term business model needs to be defined. Again, business model research is considered a quite new research area among leading scientists, which leads to many different definitions. For example, Osterwalder, Pigneur and Tucci defined the term "business model" as "a conceptual tool containing a set of objects, concepts and their relationships with the objective to express the business logic of a specific firm. Therefore, we must consider which concepts and relationships allow a simplified description and representation of what value is provided to customers,

how this is done and with which financial consequences." (Osterwalder et al., 2005,p.3). While Amit and Zott (2001) describe a business model as "the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities."(Amit and Zott, 2001,p.511).

Both of the definitions only focus on the internal strategy of a business, describing how the company works. It doesn't take into account external market forces targeting the business.

### Business Model Components

After clarifying what a business model is, a closer look is required to divide a business model into its components.



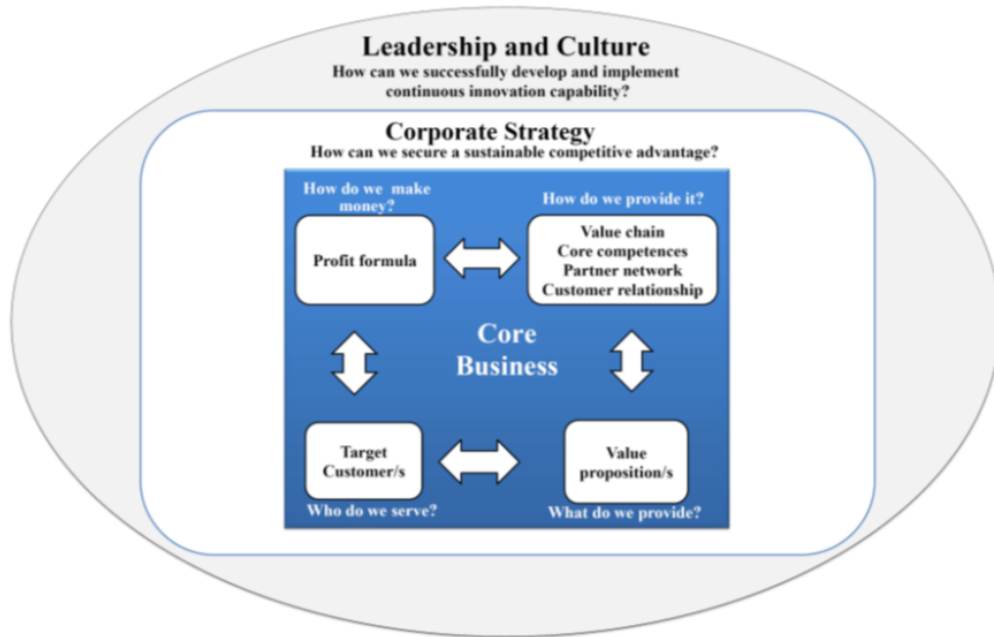
**Figure 3.6:** Components of a Business Model (Wirtz et al., 2015)

Figure 3.6 by Wirtz et al. (2015) describes nine components of a business model. But again, due to many different definitions, the components of different models of business models are often contrasting as well. Regarding to Wirtz et al. (2015), in many descriptions of components, there are three columns in a business model, which are based on as shown in figure 3.6. As shown above, "Strategic components", "Customer & market components", and "Value creation components" are the three main columns. Ideally, these three groups are seen separately in designing a business model. But such a strict separation is often not realistic due to real world influences. Therefore, the components should be perceived as interrelated. The strategic components should be seen as a linkage between the customer and market components and the value creation components.

Another perspective on business model components is provided by Taran (2018b). Also it takes into account the interrelation between its components, only with a slight difference



of having four core groups, the profit formula, the target customers, the value proposition and value chain, core competences, partner network and customer relationships.



**Figure 3.7:** Business Model Template by Taran (2018b)

Furthermore, this model (Figure 3.7) describes a business model as the place where a company's core business happens without considering competitive influences and leadership and culture. In the following, to take a leap back again to the environment of social entrepreneurship, where the business model of this paper is located in, these four blocks from figure 3.7 can be put into a social and sustainable context. The following table describes these four blocks in a social and sustainable fashion (Boons and Lüdeke-Freund, 2013).

Group	Description
Value Proposition	<ul style="list-style-type: none"> <li>• measurable ecological and social value</li> <li>• reflection of economical, ecological and social needs in society</li> </ul>
Value Chain, Core Competences, Partner Network, Customer Relationship	Companies don't push their own social-ecological burden to its partners or suppliers. This should lead to active engagement towards supplier to create a sustainable supply chain.
Target Customer	Motivational towards customer to take responsibility for their consumption. Again, the business does not shift its social-ecological burden to its customers.
Profit Formula	This model accounts for ecological and social impacts of the company.

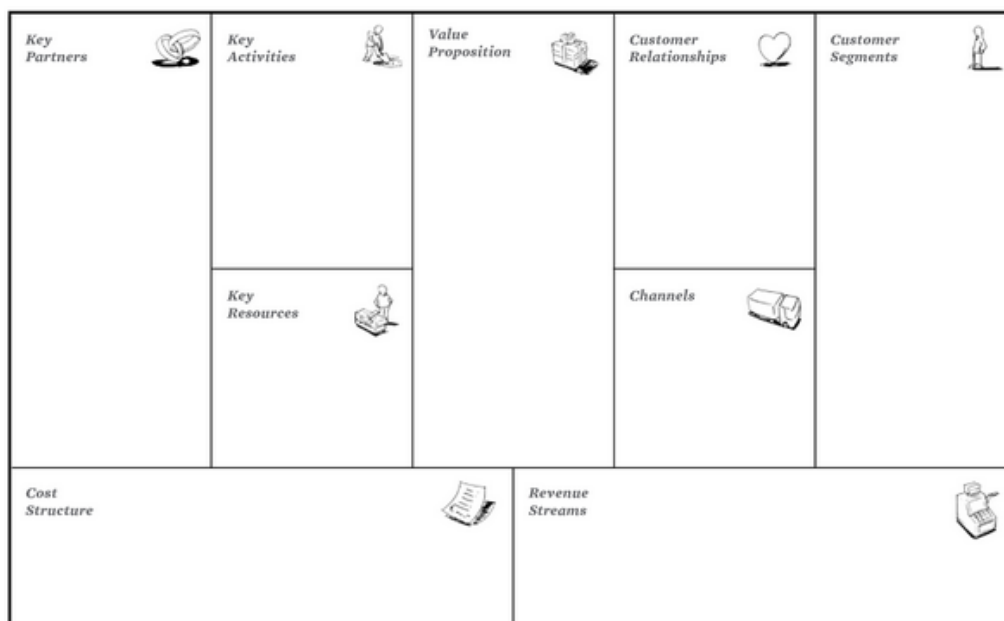
**Table 3.2:** Business Model and Social Entrepreneurship (Boons and Lüdeke-Freund, 2013)

This table 3.2 can be translated into a definition of a Business Model for Sustainability. This theory of a Business Model for Sustainability by Schaltegger et al. (2016a) can be applied directly on the research question to answer how to create social impact and at the same time be able to be sustainable. Schaltegger et al. (2016a) interprets the concept as a business model which "helps describing, analyzing, managing and communicating (i) a company's sustainable value proposition to its customers and all other stakeholders, (ii) how it creates and delivers this value, (iii) and how it captures economic value while maintaining or regenerating natural, social and economic capital beyond its organizational boundaries"(Schaltegger et al., 2016a,p.6).

While already discussing the social and economical impact with the Business Model for Sustainability by Schaltegger et al. (2016a), a concept to illustrate a business model needs to be presented as well. The principle of interrelating business model components, as displayed before, is also described in the wide-spread business model concept of Osterwalder and Pigneur (2010), the "Business Model Canvas".

### Business Model Canvas

This illustration was chosen because of its simplicity to present an entire business model.



**Figure 3.8:** Business Model Canvas (Osterwalder and Pigneur, 2010)

The business model canvas (Figure 3.8) is built on 9 blocks, where again it can be clustered in its essential parts. Osterwalder and Pigneur (2010) takes another approach as Wirtz et al. (2015), and divides its building blocks into four groups; the customers, the offering, the infrastructure and the finances, which are related to each other.

Group	Building Blocks
Infrastructure	Key Partners, Key Activities, Key Resources
Offering	Value Proposition
Customer	Customer Segment, Customer Relationship, Distribution Channel
Finances	Revenue Stream, Cost Structure

**Table 3.3:** The four groups of a Business Model Canvas (Osterwalder and Pigneur, 2010)

The application of the business model canvas requires a certain process of going through its building blocks. First, the customer segment needs to be defined to be able to target the right customer segment. Next, the value proposition needs to be looked into. To complete the value proposition, the customer's satisfaction through the company's offered values to its market segment is significant. The process of finding and applying its value proposition can be supported via the value proposition canvas as described in chapter 3.2.1. Next, focus needs to be put on the distribution channel. The delivery of the company's value proposition to its customers needs to be figured out in this building block. While closing the customer group of the Business Model Canvas, customer relationships needs to take care of. Here, the importance is to reach the business' customer segments through the company's well defined customer relationship services. After putting the customer group aside, the revenue streams need to be defined and analyzed. Again, the customer segment needs to be reached through the revenue streams, which underlines the interrelations between the building blocks. While looking into finances, the infrastructure group gets inspected. The key activities describe what activities are needed to produce and deliver a business' value proposition. The key resources outline what is needed to execute its key activities. Completing the infrastructure block, key partners need to be selected and evaluated, if a partner is able to execute a key activity or provide a key resource. Finally, to finish the Business Model Canvas, the cost structure needs to be investigated. The cost structure is assembled by the business' key activities and resources. (Osterwalder and Pigneur, 2010)

After providing an idea of how business models are defined and work, the question arises how to innovate a business model. According to the research question, the theories need to be based on social entrepreneurship and business models, but also the process of change needs to be integrated.

### 3.3 Business Model Innovation

Regarding to the research question, the integration of change into a business model is required, which is able to include social impact and sustainability. This can be achieved by the application of business model innovation.

#### Innovation

Combining business models and innovation, requires again the definition of innovation. Citing again Schumpeter (1934), who characterizes innovation as an introduction of new goods, new methods of production, new supplies of raw materials or new forms of organizations. Despite publishing this definition in 1934, most of the innovation researchers have been adopting their definition to Schumpeter's categorization (Taran et al., 2015).

Markides (2005) defines business model innovation as the "discovery of a fundamentally different business model in an existing business"(Markides, 2005,p.20). This characterization underlines the idea of innovating business models. Furthermore, the adaption rate of the industry pursuing business model innovation is "much higher than expected on industrial priority lists" (Taran et al., 2015,p.302). This insight illustrates the significance of business model innovation among industries. Business Model Innovation not only creates a new business model, it also suppose to create an essential competitive advantage on the market (Teece, 2010).

#### 3.3.1 Business Model Innovation and Social Entrepreneurship

Considering again the context of this paper of social entrepreneurship, Bocken et al. (2014) describes business model innovation for sustainability as "[innovation] that create significant positive and/or significantly reduced negative impacts for the environment and/or society, through changes in the way the organisation and its value-network create, deliver value and capture value (i.e. create economic value) or change their value propositions"(Bocken et al., 2014,p.44). This perspective on business model innovation generates the conclusion that business model innovation becomes a more and more recognized approach to deliver "greater social and environmental sustainability in the industrial system"(Bocken et al., 2014,p.43). In both, pure entrepreneurial or in social entrepreneurial environment, business model innovation comes along and has become an influential tool to tackle the urge for innovation.

#### 3.3.2 Business Model Innovation and Business Model Configuration

Instead of trying to innovate each building block of a business model, the concept business model configuration can become handy. The principle of business model configuration is the migration of successful business models from one industry to another (Taran et al., 2016). A similar concept with the same core idea was developed by Gassmann (2014), who bases his concept of business model role models on 55 models. Theses 55 models

can be used in the same way as business model configurations and can be applied as well from one industry to another. These successful business model configurations can work as role models in the business model innovation process. A configuration can, regarding to Fietl (2013), be a full business model, a simplified and basic business model, or a specific characteristic of an element of a business model.

Taran et al. (2016) identified 71 business model configuration, which can be seen in appendix A. The organization of these 71 configurations are done through the concept of value drivers. Each configuration is based on one key value driver, which is illustrated as the epicenter of this configuration. Also shown in the classification process is the secondary value driver, which is the part of a business model most affected by the key value driver.

The selected 71 configurations are based on five different value drivers. These value drivers can be illustrated as building blocks of a business model. To simplify the illustration of these value drivers, the building blocks of the Business Model Canvas by Osterwalder and Pigneur (2010) can be used and categorized to organize the value drivers (Taran et al., 2016).

Categorization	Business Model Canvas
Value Segment	Customer Segments, Customer Relationship
Value Configuration	Key Activities, Key Resources, Cost Structure
Value Proposition	Value Proposition
Value Network	Key Partners
Value Capture	Revenue Streams

**Table 3.4:** Business Model Configuration - Categorization (Taran et al., 2016)

### 3.3.3 Location and Degree of Innovation

To be able to grasp the whole innovation result of a business model innovation process, the following model for illustrating the innovation is selected.

The main idea of innovating business models is to innovate a business model's building blocks. Here again, the model of figure 3.7 by Taran (2018b), mentioned in one of his slides for "Applied Business Modelling" at Aalborg University, is used for this section. The core business' elementary units are providing a platform for innovation by changing and innovating these units. This concept is the base for a model to assess the degree of innovation relating to business models, which was developed by Taran et al. (2015).

Regarding to Taran et al. (2015), the degree of innovation can be described in three approaches. First, radicality or newness are considered. Therefore, a table was developed, tackling all seven building blocks of the before mentioned business model concept, to describe and give examples of radicality in business model innovation.

Building block	Description	Incremental Innovation	Radical Innovation
What do we provide?			
Value proposition	A company's offering of products and services.	Offering "more of the same."	Offering something different (at least to the company).
Who do we serve?			
Target customers	Customer segments a company aims to serve.	Existing market.	New market.
How do we provide it?			
Customer relations	Actual interactions established with these customer segments.	Continuous improvements of existing channels.	New relationship channels (e.g., physical/virtual, personal/peers/mass awareness).
Value chain architecture	Involving both the primary and support activities needed for a company to develop, produce and deliver its offerings (e.g., Porter, 1985).	Exploitation (e.g., internal, lean, continuous improvement).	Exploration (e.g., open, flexible, diversified).
Core competences	Those capabilities that are difficult to imitate by competitors, and are critical to a company for achieving competitive advantage, e.g., unique technology, IPR, know-how, culture, market exclusivity.	Familiar competences (e.g., improvement of existing technology).	Disruptive new, unfamiliar, competences (e.g., new emerging technology).
Partner network	Partners who engage in different kinds of cooperation with a company, with the goal of achieving economies of scale, reduction of risks (e.g., joint venture) or tapping into new knowledge or resources (Osterwalder & Pigneur, 2010).	Familiar (fixed) network.	New (dynamic) networks (e.g., alliance, joint-venture).
How do we make money?			
Profit formula	Including revenue model, cost structure, margin model, and resource velocity (e.g., Johnson et al., 2008).	Incremental cost cutting in existing processes.	New processes to generate revenues, or disruptive cost cutting in existing processes.

**Figure 3.9:** Radicality in Business Model Innovation (Taran et al., 2015)

As shown in figure 3.9, the first approach assessing the degree of innovation, differs between incremental change and radical change (Taran et al., 2015).

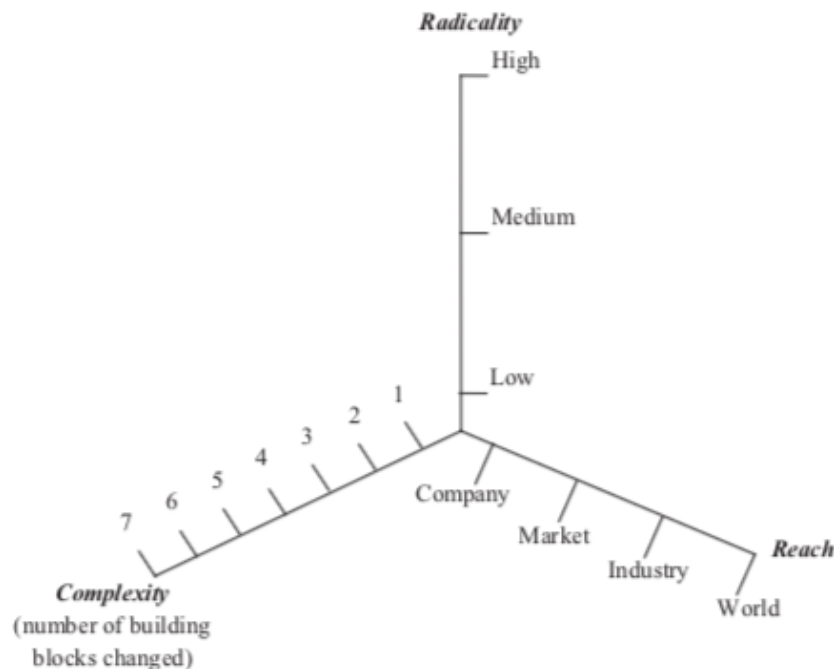
Radical Innovation is the "development or application of significantly new technologies or ideas into markets that are either nonexistent or require dramatic behavior changes to existing markets" (McDermott and O'Connor, 2002,p.424).

Incremental Innovation are "typically extensions to current product offerings or logical and relatively minor extensions to existing processes" (McDermott and O'Connor, 2002,p.424).

Approach number two requires an analysis of the reach of the innovation. It focuses on the newness of the innovation. It illustrates the reach of innovation either inside the company, inside the market, inside the industry, or new to the world.

Next and last approach on business model innovation is complexity. On how complex a innovation on a business model is, depends on how many building blocks are innovated. If only one or two building blocks are changed, it is considered as a less complex innovation process than innovating and changing all seven building blocks.

To illustrate the three approaches to assess business model innovation and its innovation degree, a three-dimensional space can be created, as shown in the following figure (Taran et al., 2015).



**Figure 3.10:** Business Model Innovation 3d space (Taran et al., 2015)

Furthermore, according to Taran et al. (2015), the key drivers of success on business model innovation, are innovativeness, strategic context and organizational settings. Innovativeness of Business Model Innovation was described above, while the strategic

context and organizational settings are tackled in the next section.

### 3.3.4 Strategy on Business Model Innovation

This section answers, how the innovation process should be executed, while still considering sustainability and social impact of a business regarding to the research question.

#### Proactive or Reactive on Innovation

The first strategy to be used in the innovation process is based on the typology of different strategic approaches. Taran et al. (2015) proposes a theory by Miles et al. (1978), which provides a suitable theory for starting the process of business model innovation. It provides a pattern for organizations on how to react on innovation or change. There are four types of strategic approaches on innovation. The following table displays all four approaches on innovation.

Proactive Approach	Prospector Strategy	Most important to this strategy is the focus on innovation in product and market development. This leads to the exploration of change and market opportunities, and being the first on the market.
	Analyzer Strategy	This strategy is the combination of Prospector and Defender. This strategy moves only into innovational products, when the viability was tested by prospectors while having a stable group of products which generates most of the company's profit.
	Defender Strategy	Mainly comfortable in stable niche of the market and tries to dominate the niche by keeping competitors out of its niche market. Its product development only targets improvements of existing products. The "defender is perfectly capable of responding to today's world. To the extend that tomorrow's world is similar to today's" (Miles et al., 1978).
Reactive Approach	Reactor Strategy	This strategy forces organizations to react to their environment by adjusting their businesses. Mostly, it misses response mechanism to react on changes on a organization's environment, which leads to instability of an organization.

**Table 3.5:** The four types of strategic approaches on innovation (Miles et al., 1978)

#### Openness of innovation

Furthermore, Taran et al. (2015) adds the theory of openness to the strategy for business model innovation. Because openness is a defining factor for innovation on a business model



and can also be crucial in the process. Chesbrough (2003) defines open innovation as "a paradigm that assumes that firms can and should use external ideas as well as internal ideas, and internal and external paths to market, as firms look to advance their technology". Along this definition, the pursuit to enhance innovation can be found in the organization's openness. Again, there are four different approaches on openness, suggested by Dahlander and Gann (2010), as seen in the following table.

Outbound Innovation	Revealing	Providing internal resources to external projects
	Selling	Out-licensing or selling products (spin outs)
Inbound Innovation	Sourcing	Sourcing external ideas and knowledge from suppliers, customers, competitors, consultants, universities, public research organizations
	Acquiring	Acquiring inventions and input to the innovative process through informal and formal relationships

**Table 3.6:** The four types of openness (Dahlander and Gann, 2010)

While in table 3.6, each type of openness is described, each of them can have significant advantages and disadvantages (Dahlander and Gann, 2010).

#### Outbound Innovation - Revealing

Although having advantages as earning legitimacy from external environment and foster incremental innovation, it reveals disadvantages as well, like internal resources can leak to competitors and it is hard to capture the benefits which occur during these collaborations. (Dahlander and Gann, 2010)

#### Outbound Innovation - Selling

The advantage here is the focus on commercialization of products, either own products or using the partners to commercialize products to mutual interest among invention owner and partner. Again the disadvantage here is the over commitment to own products and technology which lead to not possessing the capability of out-licensing. (Dahlander and Gann, 2010) These types of outbound innovation can be characterized as e.g. a spin-out or out-licensing (Chesbrough and Bogers, 2014).

#### Inbound Innovation - Sourcing

This might be the most innovative approach on openness among the four types of openness. This strategy provides access to a wide range of knowledge and radical new ideas. While choosing this approach, it comes along with the inability to combine and choose the right ideas due to the massive amount of alternatives. (Dahlander and Gann, 2010)

#### Inbound Innovation - Acquiring

By acquiring an invention, the ability of getting access to new knowledge and resources is provided as well. The negative part of acquisitions is the difficulty of maintaining all ties to every acquired partner. (Dahlander and Gann, 2010)

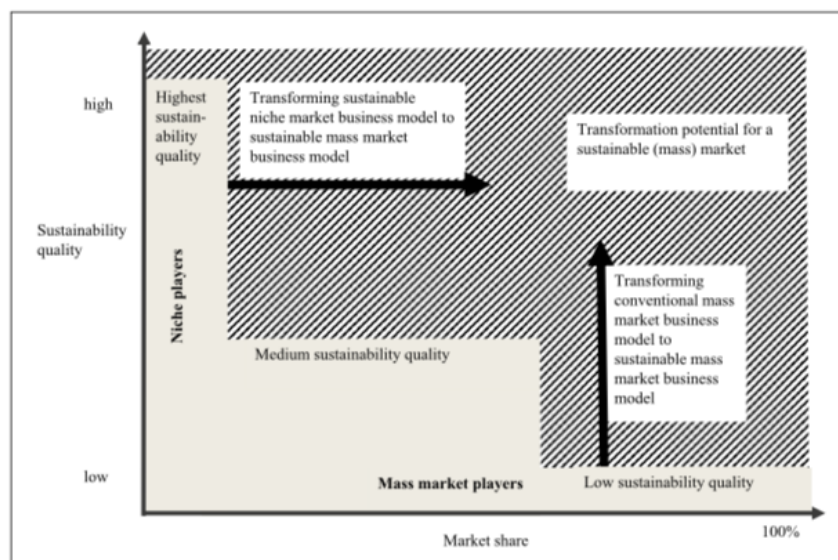
Additionally to outbound and inbound innovation, Chesbrough and Bogers (2014) proposes a third category, the coupled open innovation. This type of open innovation "implies combined knowledge inflows and outflows between actors in the innovation process" (Chesbrough and Bogers, 2014). This concept of innovation can be the core idea of strategic alliances, joint ventures or innovation platforms.

After defining the starting process of business model innovation, the thrive for social impact and sustainability in a business model needs to be included into the selection process of strategies as well. The following strategy combines business model innovation with the positioning process on the social market.

### Positioning on the social market

Citing Schaltegger et al. (2016b), the quality of sustainability, which stands for "lower negative social and environmental impacts or higher contributions of a product or a service to solving sustainability problems" (Schaltegger et al., 2016b,p.269), depends on the positioning strategy of social enterprises.

Therefore, companies, which target niche markets can afford to offer their products with high sustainability quality, while big companies, due to its big market share, are only able to provide medium or low sustainability quality.



**Figure 3.11:** Business Model Innovation - Social Market Targeting (Schaltegger et al., 2016b)

As illustrated in figure 3.11, a more sustainable economy becomes reality only when very big parts of our mass market players move more into the direction of sustainability quality and the niche players start to open up to new market segments to reach transformation potential for a sustainable market.

Furthermore, to underline this theory, sustainable entrepreneurs often start their careers in niches of the market or within small projects inside big corporations. (Schaltegger et al., 2016b)

The following goes into strategies of how to approach the transition innovating niche business models into mass market business models, to be able to create more sustainability quality as a sustainable and social enterprise.

The following table was created by Schaltegger et al. (2016b) and describes the niche business model and challenges to overcome for entering the mass market.

Business aspect	Sustainable niche market business model	Challenges for a sustainability transformation into the mass market
Value proposition	Highly differentiated; sustainability as a distinctive core element	Effective activation of potential customers who are in principle prone to buy products with strong sustainability quality; high quality for long-lasting use (which may reduce consumption)
Value creation and delivery (infrastructure and customer interface)	Clear target groups; specialized distribution channels	Open new communication channels to address potential customers; enlarge distribution network; ensure that high sustainability level remains intact when scaling up the business
Value capture (financial model)	High margins buffer high costs due to small production volume	Ensure sufficient profitability while possibly reducing prices and costs in spite of increasing communication and distribution costs

**Figure 3.12:** Business Model Innovation - from the niche market to the mass market(Schaltegger et al., 2016b)

Below, the figure 3.12 is described comprehensively.

#### Value Proposition

The main difference of the value proposition among niche and mass market is the effective activation of potential customers, which is by far more difficult on the mass market than on the niche market since its value proposition is designed highly differentiated. (Schaltegger et al., 2016b)

#### Value Creation and Delivery

Again new communication and distribution channels need to be created to reach out to a company's customers and the same time the quality of sustainability needs to be granted, while niche markets only have clear target groups. (Schaltegger et al., 2016b)

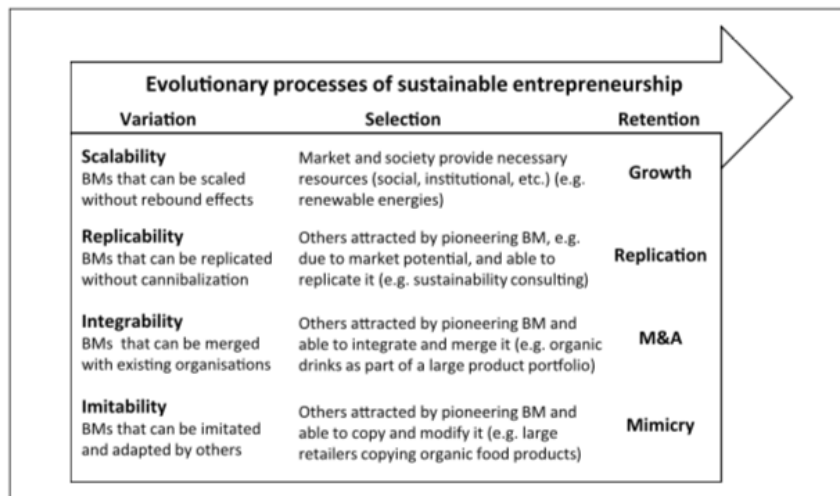
#### Value Capture

To move from the niche market and its high margins to the mass market, the company leaders need to make sure to still reach profitability while reducing prices and costs and increasing communication and distribution costs. (Schaltegger et al., 2016b)

To reach and execute this transformation process with the help of business model innovation, another model by Schaltegger et al. (2016b) can become handy.

## Types of Innovation

The following types of innovation describe strategies to innovate businesses to become an impactful and sustainable enterprise.



**Figure 3.13:** Evolutionary processes of sustainable entrepreneurship(Schaltegger et al., 2016b)

This model is divided into three columns, which organize this model into three groups:

The *variation* focuses on the different types of business model innovation to transform a business. *Selection* describes the process of choosing one of the variations, depending on market forces, political interference and societal interventions. *Retention* provides a look into the future, depending on which variation the company chooses. The variations replicability and imitability provides other companies with a pioneering business model to copy and modify, integrability can lead to merge and acquisition and scalability leads to growth. (Schaltegger et al., 2016b)

Due to the task of this paper of finding a sustainable solution in business model innovation, the focus is on the variation of scaling to gain growth.

Bloom and Chatterji (2009) introduces the SCALERS model, which can be seen "as a tool similar to the famous 4 P's of the field of marketing" (Bloom and Chatterji, 2009,p.131) and can be useful to scale social entrepreneurial impact. This model is based on the acronym "SCALERS" which is composed by seven core drivers for scaling social impact.

The model's scaling effectiveness depends on the selection and combination of these seven drivers.

Staffing	The capability of finding the right people with the required skill set for the needed positions. The right staff is influential on the organization's performance.
Communicating	The capability to effectively communicate values and persuade key stakeholders
Alliance Building	The capability of effectively setting up partnerships, coalitions and joint ventures to boost social change.
Lobbying	The competence of advocating for government actions which work in the organization's favor.
Earnings Generation	The capability of generating revenue streams to pay for expenses and still be profitable.
Replicating	The ability to effectively replicate the origin of a project, a program or a initiative without declined quality.
Stimulating Market Forces	The ability of establishing incentives to persuade private people or institutions to pursue their own interest and at the same time serving the public.

**Table 3.7:** SCALERS - the seven drivers of scaling social impact (Bloom and Chatterji, 2009)

Concluding this model, the process of scaling social impact can be described in two dimensions; expansion and depth (Dearing, 2017). While expansion requires new customers and markets which is mainly described by the model above (see table 3.7), the process of depth scaling requires creating deeper commitments to existing challenges or social problem. Scaling, if focusing on depth, the creation of more social impact can also be achieved.

To understand the SCALERS model better, Bloom and Chatterji (2009) provide an example, where the SCALERS model was applied on. The organization is called "Campaign for Tobacco-Free Kids" (Bloom and Chatterji, 2009,p.126-127). The idea of this organization was based on "trying to make tobacco products less available, less desirable, and more expensive to young people" (Bloom and Chatterji, 2009). In this case, the SCALERS model can be applied. Only few of the key drivers of this model can be utilized to achieve successful scaling. Here, the main drivers were communicating, alliance building, lobbying and replicating. Communication was important, but due to a negative public perception of young kids smoking, communication towards public did not need special attention. The main focus was on alliance building and lobbying with activists, state attorneys and anti-tobacco groups to fight for change to make it harder for young people to get access to cigarettes. Furthermore, the concept of replicating was picked up as well, to spread the concept among different states. By scaling up the organization, the increase of price and lowering the availability of cigarettes were achieved. (Bloom and Chatterji, 2009)

### 3.3.5 Business Model Innovation and Organizational Settings

Citing Bacq and Eddleston (2018), "a social enterprise's organizational culture is key in determining the effectiveness of its capabilities to scale social impact"(Bacq and Eddleston,

2018,p.590). This means, the organizational settings are as well the main drivers in the process of creating social impact. This following section concentrates its attention on organizational settings while relating these settings to social impact.

### **Stewardship**

Stewardship can provide an essential resource to social organizations, by improving an organization's capabilities and taking care of the lack of capabilities. Regarding to Bacq and Eddleston (2018), stewardship is defined as "a culture that nurtures collaboration and citizenship among employees, and promotes a sense of purpose so that the social entrepreneur identifies and emotionally connects with the social mission.". This leads to two different perspectives on stewardship (Bacq and Eddleston, 2018,p.590).

#### Employee-centered stewardship

An employee-centered stewardship mainly supports the compensation of lacked capabilities by inspiring the organization's employees to work harder on the organization's behalf. This is done by generating a culture, appreciating joint efforts, collaboration and initiatives to solve business internal problems produced by employees. (Bacq and Eddleston, 2018)

#### Entrepreneur-centered stewardship

An entrepreneur-centered stewardship includes an "entrepreneur who is a caretaker of the firm's assets and gains a sense of purpose, determination, and self-efficacy by establishing and pursuing the firm's goals and mission"(Bacq and Eddleston, 2018,p.598). This means, the entrepreneur needs to make an effort in placing the business' resources and skill-set most efficiently. If the focus of a social entrepreneur is its personal need for power, then this behavior can lead to limitations in the process of expanding its business. (Bacq and Eddleston, 2018)

### **Organizational Behavior**

Additionally to stewardship, there are, according to Grieco (2015b), three different theories to boost social impact by implementing them into an organization as well.

- Stakeholder Theory

This theory is based on the idea of companies having more responsibilities than only to its shareholders. The organization's stakeholders need to be considered as well, because in most cases, stakeholders are the individuals or groups who are the most effected by the organization's decisions, policies or actions. By taking stakeholders into consideration while planning a future for your company, the probability of longevity is more realistic. (Grieco, 2015b)

- Shared Value Creation

Basically, the principle behind this behavioral theory is that "business and society need each other" (Grieco, 2015b,p.41). By taking care of a healthy society, companies profit from it as well, because society demands more businesses to satisfy human needs. In addition, society needs healthy businesses as well to create jobs, wealth and innovation and finally increase the standard of living. By applying the shared value creation, both society and business, can be helped and pushed forward. (Grieco, 2015b)

- Triple Bottom Line

The triple bottom line was introduced by Elkington (1997). Similar to the shared value creation, the triple bottom line puts its perspective on society and also on the environment. This means, if the triple bottom line is executed, a business strives for the three P's, as seen in the following figure.



**Figure 3.14:** Triple Bottom Line (University of Wisconsin, n.d.)

The conventional direction of generating the most profit is considered in this model but with the limitation of recognizing the business' social responsibility and environmental influences (Grieco, 2015b).

### **ZEBRA theory**

Additional to organizational behavior, the form and shape of an organization is essential for producing sufficient social impact. The next two theories, the ZEBRA theory and the theory of the purpose driven company, are able to influence the social outcome enormously.

The ZEBRA theory was first introduced by Brandel et al. (2017). The ZEBRA theory is a concept for organizations to "balance profit and purpose, champion democracy, and put a premium on sharing power and resources [and to] help, and heal the customers and communities they serve" (Brandel et al., 2017). This model was developed after facing too many venture capital firms which place profits over the improvements of the society's standard of living and accept a suffering society. This leads to organizations which produce business models with sometimes damaging outcomes towards society. In many cases, these previous described companies identify themselves as unicorns, with their focus only on scaling up their profit.

The reason for selecting a zebra as the name provider for this theory is well considered.

- Zebras are real if compared to unicorns.
- Zebras are black and white. This means, profitable and improve society at the same time.

- Zebras are mutualistic. If grouping up with other zebras, they protect and preserve each other.

The difference of social outcome among zebra and unicorn companies and the description of a zebra company can be seen in the following table.

	UNICORN	ZEBRA
<b>THE WHY</b>		
purpose	exponential growth	sustainable prosperity
end game	exit, liquidity event, 10x	profitable, sustainable, 2x
outcome	monopoly	plurality
<b>THE HOW</b>		
worldview	zero sum, winners and losers	win-win
method	competition	cooperation
natural model	parasitism	mutualism
resources	hoarded	shared
style	assertive	participatory
seeks	more	enough, better
<b>THE WHO</b>		
beneficiary	private, individuals, shareholders	public, communities
team composition	engineer heavy	balanced: community managers, customer success, engineers
user pays	with attention (opaque)	for value (transparent)
<b>THE WHAT</b>		
growth direction	hockey stick	<u>regenerative growth</u>
metric	quantity	quality
priority	user acquisition	user success
obstacle	product adoption	process adoption

**Figure 3.15:** Comparison Zebras and Unicorns (Brandel et al., 2017)

On the way to become a zebra company, few challenges need to be faced. The main challenge occurring is the acceptance of the fact that a pure product is not solving a major social crisis, it is the process of adaption towards social improvements in institutions to create innovation and success. Furthermore, the financial situation of a zebra company becomes difficult as well, due to poor interest among investors and their demand of high return on investments. (Brandel et al., 2017)

### Massive Transformative Purpose

The last model for creating or modifying a company to become a more purpose driven organization is the concept of the massive transformative purpose (Berman, 2016). This



model focuses on the motivation to create purpose-full outcomes. The "secret to motivating individuals and teams to do great things: It's purpose." (Berman, 2016) or here called the massive transformative purpose (MTP). To break it down, a MTP is an inspirational slogan for a business, organization or an institution (Berman, 2016). The next table provides insight into the model of MTP, defining each part of the massive transformative purpose.



**Figure 3.16:** Massive Transformative Purpose (Berman, 2016)

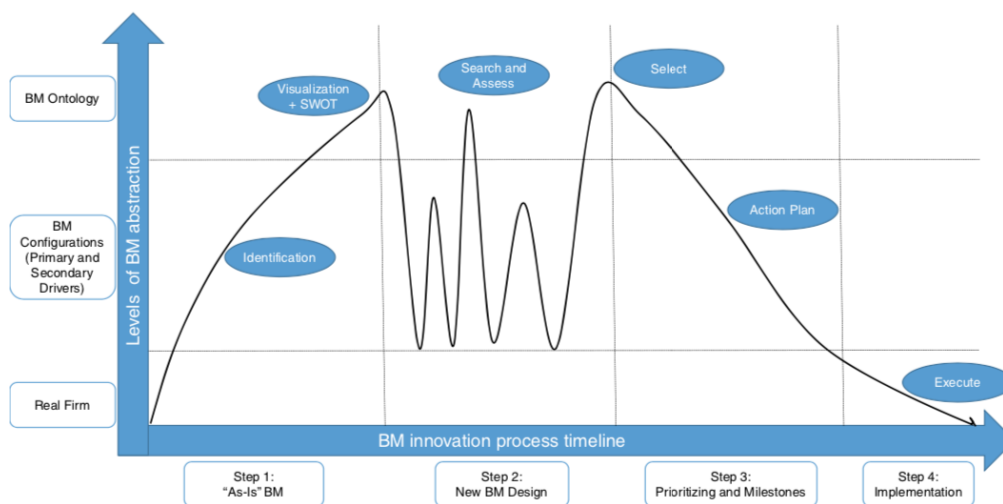
The results of having an inspirational MTP can lead to the prioritization of thinking big and organizational agility by employees, who are influenced by a promising MTP. Furthermore, a successful MTP is able to align and focus all efforts towards common and social goals. (Berman, 2016)

This chapter 3 described a variety of different approaches to achieve social impact and sustainability inside a social enterprise through business model innovation. In chapter 4, the exploration of the case study is initiated by the introduction of a framework. This framework is able to accompany the case study through its business model innovation process.

# Framework 4

As in chapter 2 described, this part of the master thesis focuses on providing a frame for the process of innovating business models. When looked into the methodology of action research, this section contributes a framework for data gathering, interpret data and act on evidence.

The chosen framework was developed by Taran et al. (2016) and is able to illustrate the process of business model innovation from the "As-Is" business model of a company to a new business model design, followed by the selection process and setting up milestones, and finally the implementation process.



**Figure 4.1:** Business Model Innovation process (Taran et al., 2016)

To understand the framework, shown in figure 4.1, the related two dimensions need to be clarified. First there is a linear time line including four steps, and the other dimension outlines the level of abstraction (Taran et al., 2016).

## 4.1 Levels of Business Model Abstraction

The level of abstraction, relating to business models, is interpreted and displayed on three different levels. Starting with the real firm, this level presents the operational procedure of a company. (Taran et al., 2016)

### 4.1.1 Business Model Configuration

Next there is the business model configuration model. This level takes the different business model configurations into account with its value drivers as already specified in chapter 3.3.2. This means, while running through a business model innovation process, the concept of configurations simplifies the search for new innovative business approaches due to its role model character. (Taran et al., 2016)

### 4.1.2 Business Model Ontology

Compared to business model configuration and its exemplary nature, business model ontology is focusing on each business model's building block and its relationships to each other. This means, it takes into account the innovating potential of each building block. (Taran et al., 2016)

## 4.2 Business Model Innovation Time-line

After defining the first dimension, the second dimension needs to be clarified. Here, this dimension relates its steps to time and consequently creates a step by step framework to innovate business models. It is based on four steps, which are characterized in the following (Taran et al., 2016). To relate this framework again to the applied action research process, the following table assigns every step of this framework to a step of the action research process.

Gathering Data	Step 1: "As-Is" Business Model
Interpreting Data	Step 2: New Business Model Design
Acting on Evidence	Step 3: Prioritizing and Milestones Step 4: Implementation

**Table 4.1:** Action research and business model innovation framework

### 4.2.1 "As-Is" BM

First, to be able to start with the business model innovation process, the starting position needs to be outlined. It is the identification of the current situation of the company. This is done by putting first the focus on the value drivers of the company. "This phase is vital in order to clarify the epicentre of the current BM of the company." (Taran et al., 2016,p.517). This is followed by the visualization section of step one. Here, tools to analyze and display the business' current operations, need to be applied (Taran, 2018a).

Business Model Visualization	Business Model Canvas Value Proposition Canvas
Macro Analysis	PESTEL analysis
Industry Analysis	Porter's five forces - analysis
Internal-External Analysis	4 P's - Marketing Mix

**Table 4.2:** Tools to visualize BM's and external influences

The mentioned tools in table 4.2 for business model visualization are described in chapter 3.2. The following paragraphs present the other three tools needed to characterize the current situation of a company.

### PESTEL Analysis

The first tool captures the macro environment, in which the company is currently operating. Citing Perera (2017), the "model helps in the evaluation process of the dynamic and competitive business environment"(Perera, 2017,p.4). This tool is based on six different types of environments, as shown in the next figure, to illustrate a comprehensive macro environment.



**Figure 4.2:** Pestel Analysis (business to you, 2017)

Each type of environment is described in the following.

1. **Political**

The political factors include every political change or policies, which can affect the company. In the political environment, there are possibilities to tackle political challenges by lobbying or setting up agreements between government and company. (Perera, 2017).

2. **Economic**

The economical factors include "economic growth, exchange rates, inflation rates, interest rates, disposable income of consumers and unemployment rates" (business to you, 2017). Due to economical changes, companies can be affected heavily.

3. **Social**

The social factors mainly capture the demographic influences and values of a population (business to you, 2017).

4. **Technological**

Technological influences are described by the level of innovation of technology,

technological awareness among an environment and the willingness to automate (business to you, 2017).

#### 5. Environmental

The environmental factors include "ecological and environmental aspects such as weather, climate, environmental offsets and climate change"(business to you, 2017). Due to the growing awareness of climate change, the environmental factors will heavily affect the way a company operates and will operate (business to you, 2017).

#### 6. Legal

The legal factors are about following laws, guidelines, regulations and rules set up by the government (Perera, 2017).

### Porter's 5 Forces - Analysis

After getting into the macro environment of a company for the "As-Is" analysis, the next step is the industry analysis. This tool helps to analyze the industry and its competitive behavior. To outline the industry, Taran (2018a) suggests as a tool the Porter's five forces analysis.

The tool is based on the description of competition in an industry by Porter (1979). "The state of competition in an industry depends on five basic forces"(Porter, 1979), as shown in the following illustration.



**Figure 4.3:** Porter's 5 Forces - Analysis (Porter, 1979)

#### 1. The industry and its competitors

In the middle of the competitive environment of a company, the rivalry among competitors is highlighted. First, the number of competitors is essential. The more competitors you have, the more difficult it is to create traction in an industry. Additionally to the number of competitors, other factors are taken into consideration.

The difference among quality and price is taken into account as well as the costs of changing to another player on the market. (Porter, 1979)

## 2. Power of Suppliers

The next factor is supplier power in a competitive environment. The supplier power is mentioned because of companies' dependencies towards suppliers. This dependency is based on the number of suppliers, the option to easily change supplier and the uniqueness of their services. (Porter, 1979)

## 3. Power of Buyers

The buying power is included as well and has similar characteristics as the supplier power. Depending on the number of customers and their price sensitivity, customers decide in the end to buy or not to buy the offered product, which creates the buyer power and influences company's competitive decisions. Also the power of buyers reflects on the switching costs among competitors inside an industry. (Porter, 1979)

## 4. Threats of new entrants

This factor in the composition of competition in an industry tackles the threat of new entrants into an industry. Here, the financial and time barriers for entering the industry are analyzed. Additionally to time and money, the specific knowledge and its protection can create barriers as well. (Porter, 1979)

## 5. Threats of substitutions

Last factor is the threat of substitution. The quality and price of a substitution for a company's product is taken into consideration and the possibility of an actual substitution of a product. (Porter, 1979)

## The 4 P's - Marketing Mix

After analyzing the external conditions in the prior tools, the tool of the 4 P's of the marketing mix is combining the internal and external situation of a business while focusing on the product. Kotler and Armstrong (2015) describes the 4 P's as "everything the firm can do to influence the demand for its product"(Kotler and Armstrong, 2015,p.78). The following table explains in detail the marketing mix.

Product	The combination of services and products in terms of design, features and quality, which a business offers to its target customers (Kotler and Armstrong, 2015).
Price	The amount of money a customer needs to pay depending on list prices, credit terms or discounts (Kotler and Armstrong, 2015).
Place	The chosen distribution channels and locations to sell a product by the company. This also includes logistics and transportation (Kotler and Armstrong, 2015).
Promotion	Communication towards target customers to convince the target customer to buy the product through for example sales promotion, advertising or public relations (Kotler and Armstrong, 2015).

**Table 4.3:** 4 P's Marketing Mix

## SWOT Analysis

After visualizing and trying to understand the business model with the help of these tools, a SWOT analysis on the current "As-Is" business should be exercised.

A SWOT analysis, regarding to Kotler and Armstrong (2015), is an evaluation process of a company's overall strengths, weaknesses, opportunities and threats. The tool is illustrated in the following figure.

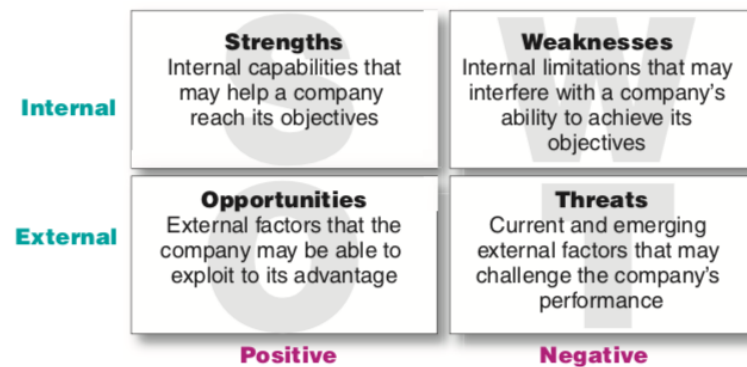


Figure 4.4: SWOT analysis (Kotler and Armstrong, 2015)

As illustrated in the previous figure, a SWOT analysis can be categorized into internal and external, and positive and negative parts. The internal and positive factor of a company is its **strengths**. The factor of strengths combines the capabilities of a business with its resources to fulfill the customers' needs and the company's targets. The counterpart of the internal strengths are the internal **weaknesses** of a company. Here, weaknesses limit a company's operational abilities and prevent achieving the businesses' goals. The second categorization are the external factors which are based on a company's **opportunities** and **threats**. Opportunities can be exploited to generate external advantages on the market. On the contrary, threats are emerging and external influences, which are able to confront and modify a company's performance. (Kotler and Armstrong, 2015)

The target of the SWOT analysis is "to match the company's strengths to attractive opportunities [...], while simultaneously eliminating or overcoming the weaknesses and minimizing the threats" (Kotler and Armstrong, 2015,p.80).

After applying a SWOT analysis, this should later assist in the process of figuring out which threats and weaknesses should be avoided and which strengths and opportunities should be built on in the innovation process of the company's business model.

### 4.2.2 New BM Design

This step integrates the search process followed by assessing the new business model design. The search process includes the consideration of new business model configuration as well as the change of the business model ontology. This means, every suitable and

potential business model alternative is analyzed in this section. Furthermore, it includes the mentioned theories for more social impact from chapter 3 while considering new alternative business models. The assessment process is the last part of step 2. This consists of the analysis of the different alternative business model, which were developed in the prior search process. This assessment is done with the concept of risk management. (Taran et al., 2016)

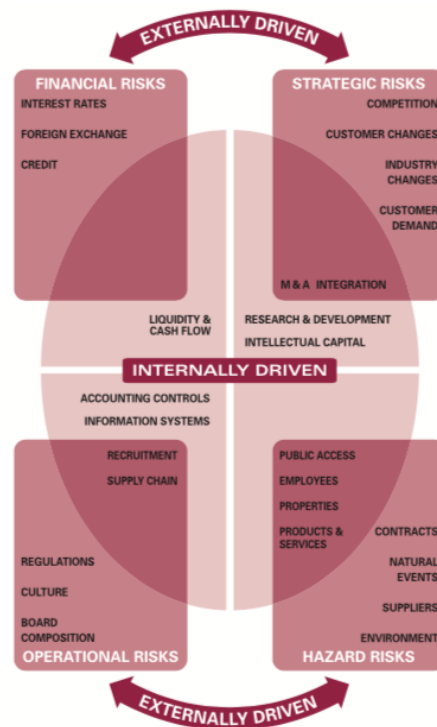
## Risk Management

To choose the right business model alternative for a company, risk management is an essential part in the selection process. Because it "reduces the risks related to the uncertainty and complexity of developing and implementing a new business model" (Taran et al., 2013,p.44).

Taran et al. (2013) propose a framework for risk management. It consists of four steps:

### 1. Identify

First step is the identification of the potential risks, a company will face or is currently facing. According to Taran et al. (2013), either risks are driven externally or internally, as illustrated in the following figure 4.5.



**Figure 4.5:** Key Risks of an Organization (The Institute of Risk Management, 2002,p.5)

Additionally to a risk being externally or internally driven, it can be a financial risk, strategic risk, operational risk or a hazard risk (Taran et al., 2013).

### 2. Analyze

Analysis of each identified risks.



### 3. Evaluate

Evaluation of each risk. The evaluation focuses on how many risks the company is able to accept in terms of its willingness to take a risk (The Institute of Risk Management, 2002).

### 4. Treat

After evaluating each risk, three types of treatment can be applied regarding to Taran et al. (2013). In the central position, there is risk control, which leads to risk acceptance and risk reduction. But also avoidance of risks or the transfer of risks can be considered as a risk treatment.

#### 4.2.3 Prioritizing and Milestones

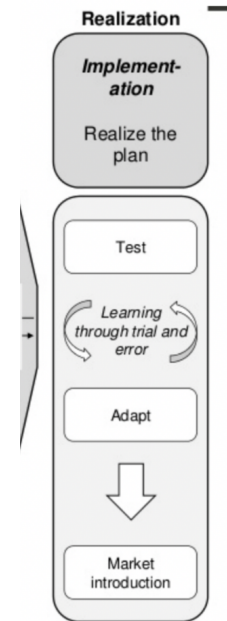
Step three incorporates the selection process, based on the result of the risk management. After selecting a new business model, an action plan with milestones needs to be designed (Taran et al., 2016).

Because this action plan is based on the idea of change, a structure for its execution is needed. Therefore, the change management concept of Kotter (2007) can become handy. Regarding to Kotter (2007), "[l]eaders who successfully transform businesses do eight things right (and they do them in the right order)."

1. Establish a sense of urgency  
Exploration of markets and "competitive realities for potential crises and untapped opportunities" (Kotter, 2007).
2. Form a powerful guiding coalition  
Form a group, which is powerful enough to work through and execute the change.
3. Create a vision  
Create the vision and its strategy to give the change a direction.
4. Communicate the vision  
Communicate the vision and strategy through every way possible.
5. Empower others to act on the vision  
Empower others to "risk taking and nontraditional ideas, activities, and actions"(Kotter, 2007).
6. Plan for and create short term wins  
Create "visible performance improvements" (Kotter, 2007).
7. Consolidate improvements and produce more change  
Use the leverage from short term wins to "change systems, structures, and policies undermining the vision" (Kotter, 2007).
8. Institutionalize new approaches  
"Create leadership development and succession plans consistent with the new approach"(Kotter, 2007).

#### 4.2.4 Implementation

After coming up with the action plan, the execution of the new business model can be rolled out, by initiating the action plan (Taran et al., 2016). The framework by Taran et al. (2016), mainly focuses on the selection process of business model innovation, while the elaboration on the implementation and its challenges is not designed very comprehensively. For the implementation, the model by Gassmann (2014) can become a fitting alternative. There, the challenges of implementing a new business model are highlighted and through the model tried to be solved. As shown in figure 4.6, the realization of the new business model comes along with many iterations of tests to find a perfectly adjusted business model specifically for the company. By testing the business model, a learning effect can be achieved which leads to adapting of changes in the business model followed by the market introduction.



**Figure 4.6:** Implementation of a new Business Model (Gassmann, 2014)

# Disruptive Option - Today 5

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Following the framework of this thesis, the first step is to investigate the current state of the company, which needs to be innovated.

Aligning the investigation of the current state of Disruptive Option with the methodology of action research, as described in the methodology chapter, this chapter faces the step of gathering data. Due to the nature of this thesis, being a case study, Disruptive Option granted an access to internal documents and were totally open for meetings, which simplified the process of collecting data.

The following introduction of Disruptive Option is based on internal documents and a presentation (appendix B), which were provided by Disruptive Option.

## 5.1 Disruptive Option - The Company



**Figure 5.1:** Disruptive Option logo

### 5.1.1 Who is Disruptive Option?

Disruptive Option is a start-up from Mexico City, which was founded in December 2017. It is run by three innovative learning experts:

- Yanira Matienzo (Models and Future Strategist)
- Isabel Diez (Research and Impact Catalyst)
- Arturo Becerra (Digital Design and Tech Strategist)

### 5.1.2 What is Disruptive Option?

*"Disruptive Option designs products and services that transform learning for the future through gamified experiences and creative storytelling."*

- Yanira Matienzo

This means, Disruptive Option is aiming for transforming learning experiences for the future. The reasoning for creating this value proposition is based on the acceptance of changing work environments in the future. This transformation of work environments is introduced in appendix B, via a pitch of Disruptive Option. First, to understand the value proposition of Disruption Option, it needs to be clarified that "El mundo está cambiando", which means the world is changing. The world is changing in the future relating to its technological possibilities and opportunities. The following list shows few technological drivers, which have the ability to change the future.

- Artificial Intelligence
- IoT (internet of things)
- Autonomous Vehicles
- Nanotechnology
- Renewable Energies
- Biotechnology
- Quantum Computing

But not only new technologies have the capability of changing the society and its work habits. Future challenges have the strive of change as well. The following list was translated from the presentation by Disruptive Option in appendix B.

- Polarization of wealth (Erosion of the middle class)
- Threats to privacy and fight for transparency
- Loosing trust in institutions
- Geopolitical instability and nationalism
- Water shortage
- Food and energy security
- Flexible work, career and lifestyle
- Values of generation Y and Z replace old values
- Longer life expectancy
- Globalization and higher relevancy of the oriental culture
- Ubiquity of the internet

As a consequence of accepting technological change agents and future challenges, Disruptive Option saw an opportunity to create a business focusing on the educational preparation of society based on these two prior lists. The following description sums up the business idea.

*"Para diseñar el mañana se requiere aprender un nuevo set de competencias flexibles a distintos entornos y sensibles a distintos actores. Con metodologías y experiencias de aprendizaje nos convertiremos en los agentes de cambio que transforman el porvenir."*

- Disruptive Option, appendix B

Translated it means, "for designing the tomorrow, it is necessary to learn a new set of flexible competences for different surroundings adjusted to different participants. With learning methodologies and experiences, we can become change agents who will transform the future".

The following provides a self perceived description by Disruptive Option:

*"Somos un laboratorio de innovación y desarrollo enfocado en diseñar modelos, metodologías y experiencias de aprendizaje que tengan un impacto en el futuro."*

- Disruptive Option, appendix B

Disruptive Option sees itself as an "[...]innovation and development lab, focusing on designing learning models, methodologies and experiences, which will have an impact in the future."

The focus of Disruptive Option is to generate as much social impact in the future through an educational approach, by designing learning models, methods and experiences. Disruptive Option sees itself as an external advisor group and innovation lab, which gets hired to generate new and innovative solution mainly in the educational sector. Due to the focus on the educational sector, the most social impact in the future can be provoked, because the reach to the next generation is essential in generating social impact in the future.

### 5.1.3 Disruptive Option's Vision

- **Replacing old educational and work models**

Through outdated models in education and work environment, the creative, social and economical evolution of the participants of these models are stagnating. Disruptive Option offers new models based on new scientific knowledge and technology, which are able to support new generations to change organizations to become fairer, more harmonious, more collaborative, more productive and more socially sustainable.

- **Creation of fair and tailored teaching systems**

Creation of systems, which don't focus on pre selected and unrelated problem solving, instead the spotlight is put on the needs, aspirations and possibilities of people's diversity in their various social and cultural backgrounds.

- **Ethical reorientation of technological possibilities**

Instead of being jailed into a technological bubble, which is currently the case for so many people, Disruptive Option tries to free society so that people can effectively

increase their possibilities of learning expansion, their possibilities of amplification of critical knowledge, their opportunities of creative intervention and of generating cultural alternatives. Furthermore, the idea of new forms of exchanges and shared use of goods and services that would transform the economy, is considered as well.

- **Cultural and social reconfiguration**

A cultural and social reconfiguration can be achieved by reorganization of learning and technology. The process of reorganizing models and organization as itself need to be focused on growth as well as the search for happiness of people.

#### **5.1.4 Disruptive Option's Mission Statement**

**We want to build a movement of people willing to take responsibility for their learning and ready to disrupt the system and be future ready.**

#### **5.1.5 Products**

Since Disruptive Option has been on the market, every project has been different. Due to different challenges, different products were created. The following shows a list of all individual projects, which have been executed during the first 1.5 years.

#### **Value proposition design and storytelling**

- Empowerment for women
- Entrepreneurship ecosystem
- Educational enterprise for arts and ethics
- Social security (5 educational products)
- Digital agency (exchange of services)
- Tech skills for kids (pro-bono)

#### **Ideation Workshops**

##### **Educational programs (design of learning experiences)**

- Women (leadership)
- High school teachers (future of education and innovation in the classroom)
- Middle school teachers (design thinking and sciences)
- Primary and secondary teachers (future of education and innovation in the classroom)
- Kids (food and nutrition habits)

#### **Conferences and Events**

- Reinvent yourself! The future of work with Ed-tech companies, Non profit organizations and the Women who code movement
- Global Goal Jams (UN Sustainable Development Goals)

## Consulting

- Talent attraction for an ed-tech company

Currently, all business engagements of Disruptive Option have their foundations on the business to business level. This means, the customers of Disruptive Option have been organizations and businesses. But the users of Disruptive Option's products are the people, who work in these organizations or businesses, attend conferences or visit the engaged school.

### 5.1.6 The Current State of Disruptive Option

This section describes the current state of Disruptive Option. While the prior introduction was simply based on provided documents by Disruptive Option, this section was comprehended together with founder, Yanira Matienzo, in many meetings in Mexico City.

According to Yanira Matienzo, the company, due to its novelty, announced its first year as an exploratory year. It was used to understand the company's customer segment with its industries and markets and their related range of necessities. Not much sales and commercial effort were put into this company. Also, while trying to understand the company's customers, the founders of Disruptive Option as well learned to understand themselves better and the challenges they have to overcome to create a successful business. These hurdles were mainly about the challenges we face as humanity and we are going to face in the present and the future. The only solution to these challenges is to engage with them in the innovative work and education environment.

Now, after this year passing by, the business model again needs to be tackled and innovated to include a viable and sustainable growth strategy but at the same time create social value.

To design and innovate Disruptive Option's business model, the framework, mentioned in chapter 4, will be applied. First, the "As-Is" business model with its current environment needs to be analyzed. This was done in a participatory style together with Disruptive Option to obtain the required data.

## 5.2 Current Business Model

The section deals with the current situation of Disruptive Option. First, to relate the current business model to business model configurations by Taran et al. (2016), the key value driver and the current configuration requires an evaluation. Furthermore, the current business model with its value proposition and its other building blocks are displayed, followed by the current environment analysis of Disruptive Option.

### 5.2.1 Identification - Key Value Drivers

As shown in appendix A by Taran et al. (2016), there are 71 different business configurations organized by key value drivers. In the case of Disruptive Option, its key value driver is its value proposition, by offering specific solutions to society's future problems by providing future proof educational programs. Disruptive Option suggests,

according to Yanira Matienzo, solutions to very complicated futuristic questions. The business configuration, as seen in appendix A, titles this type of business form "trusted advisor", while describing it as a company to "stay on top of the information loop and provide customers with answers to complex questions"(Taran et al., 2016,p.506). This configuration might influence the company's value segment, including customer segment and customer relationship, as well.

### 5.2.2 Value Proposition Canvas

To investigate more the value proposition mentioned in the key value driver, the value proposition canvas will be applied. The next figure explains the composition of Disruptive Option's value proposition. The value proposition was explored together with Yanira Matienzo, in one of the meetings dedicated to understand and capture the core business idea of Disruptive Option.

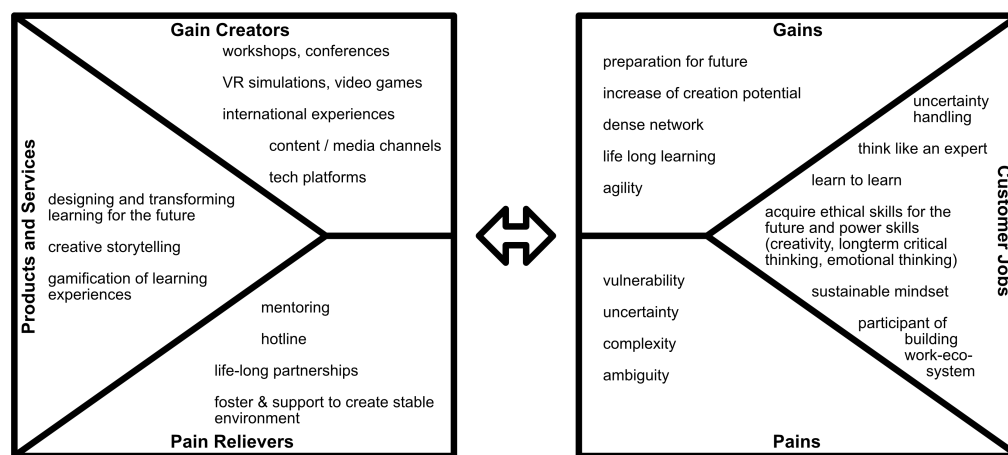


Figure 5.2: Value Proposition Canvas - Disruptive Option

Starting on the right side of the value proposition canvas, the customer jobs with their pains and gains are in the spotlight.

#### Customer Jobs

Business customers make sure to prepare its staff to be more ethical and successful in the future. This means, the main job of the user to fulfill, who is for example part of the staff of a Disruptive Option's client, is the acquisition of new skills to be prepared for the future job markets and future life. This mainly includes ethical skills and power skills like creativity, long term critical thinking and emotional thinking. Additionally, customers demand from its staff to have the ability to think like an expert and having a sustainable mindset.

#### Gains

The central gain of these user jobs is to be prepared for the future. Besides, it trains the user's agility in reacting towards problems, the increase of customers' creation potential and provides them with the ability for life long learning. Due to the acquisition of new skills, the social factor is improving as well what leads to a more dense network.



**Pains**

All these customer jobs prepare the user towards future and equip them with new tools and methods to handle the future in terms of work and life. The related pains connected to handling the future's uncertainty are vulnerability, uncertainty, complexity and ambiguity. These four pains are tried to be solved by Disruptive Option in providing pain relievers to eliminate these pains.

The left side of the model describes the reaction of Disruptive Option towards Customer Jobs with their Pains and Gains.

**Gain Creators**

To create the demanded gains by the customer jobs, Disruptive Option offers workshops, conferences, VR simulations, video games and international experiences as channels to deliver their educational programs. Moreover, channels for media and content are considered as well as tech platforms.

**Pain Relievers**

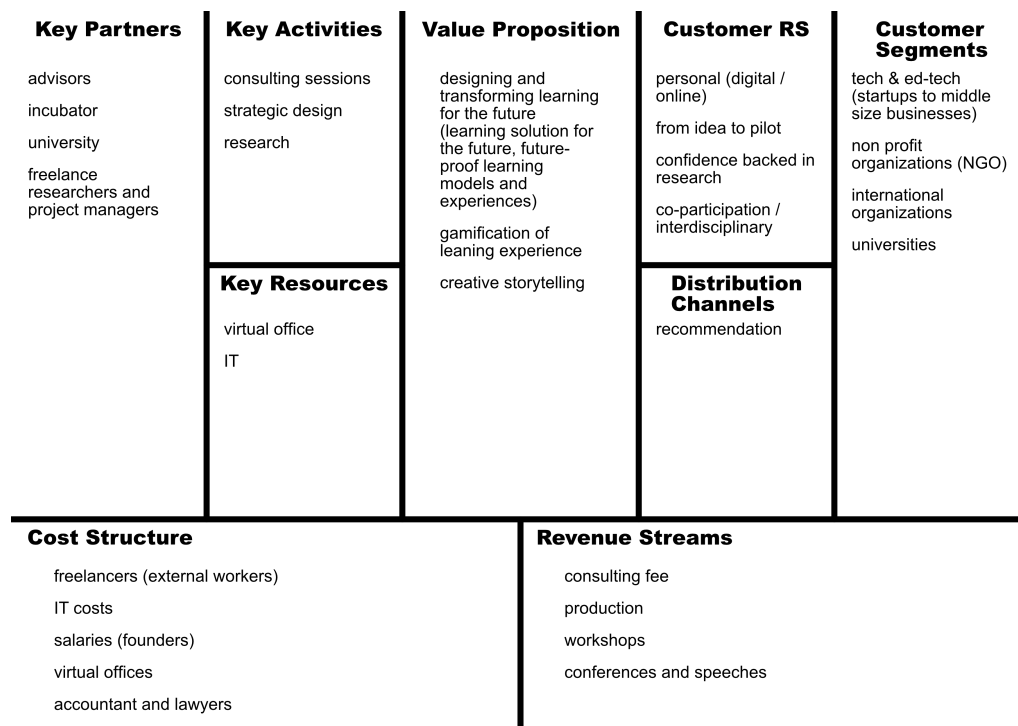
To fight the uncertainty of the future, Disruptive Option came up with mentoring programs, a hot-line concept and the option of life-long partnerships. Additionally, it offers the opportunity to support and then foster the creation of a stable environment for its customers.

**Products and services**

These concepts of Gain Creators and Pain Relievers are tried to be comprehended by Disruptive Option into a complete offer of goods and services. The products of Disruptive Option are based on three types of offer. Regarding to Yanira Matienzo, there are designing and transforming learning for the future, creative storytelling and gamification of learning experiences, which simplifies the learning process and makes it more efficient.

The next paragraph focuses on the current business model of Disruptive Option based on the business model canvas by Osterwalder and Pigneur (2010).

### 5.2.3 Business Model Canvas



**Figure 5.3:** Business Model Canvas - Disruptive Option

#### 1. Value Proposition

The value proposition as mentioned before in the value proposition canvas is designing and transforming learning for the future, gamification of learning experiences and creative storytelling. This value proposition is executed by creating learning solutions for the future, future proof learning models and experiences. This value proposition is transmitted to Disruptive Option's customers by workshops, conferences, speeches, consulting services, lifelong partnerships and mentoring programs.

#### 2. Customer Segment

The customer segment are non profit organizations, international organizations, universities and tech & ed-tech companies (start ups to middle size businesses).

#### 3. Customer Relationships

Yanira Matienzo describes the customer relationship of Disruptive Option always as personal. Furthermore, when Disruptive Option works for a company to create a future proof concept to be able to survive in the future as a company as well, the work by Disruptive Option always starts with a concept and accompanies its customers all the way to the pilot project. Additionally, all projects of Disruptive Option are based on quality research, which creates a comfortable and confident working environment. The work at a customer always is designed interdisciplinary which supports and improves the collaboration between Disruptive Option and its customers.

#### 4. Distribution Channel

Currently, every project was obtained through recommendations by Disruptive Option's network.

## 5. Key Partners

First of all, due to Disruptive Option's interdisciplinary organization at customers as well as inside the company, the freelancers are the central key partners of this business. The company is still quite young and still is in its iteration phase of finding the perfect model for its organization, which leads to using lots of freelance researchers and project manager to keep expenses down. Also, there is a dependency obtaining advice and support by advisor, incubator and university.

## 6. Key Activities

All the offered products can be comprehended into consulting services as main key activity. Also, strategic design and research goes hand in hand with Disruptive Option's key activities.

## 7. Key Resources

Again, due to the interdisciplinary organization of Disruptive Option, the only key resources are IT equipment and the virtual office.

## 8. Cost Structure

The costs include freelancers, IT costs, the salaries of Disruptive Option's founders, the costs for the virtual office and accountants and lawyers for special occasions.

## 9. Revenue Streams

The main revenue is generated through the charged consulting fees, workshops, conferences and speeches. Additionally, the production of programs is generating profit as well. The following financial presentation illustrates the current financial condition of Disruptive Option.

<b>Finances January 2019</b>	
in USD	
<b>Sales</b>	<b>\$ 226,316</b>
<b>Salaries</b>	<b>\$ 124,421</b>
<b>Fix Costs</b>	<b>\$ 50,526</b>
<b>Tax</b>	<b>\$ 35,579</b>
<b>Profit</b>	<b>\$ 15,790</b>

**Figure 5.4:** Finances - January 2019

Even after paying salaries mainly for founders and freelancers, fix costs and tax, Disruptive Option generated a profit of \$ 15,790 in January 2019.

## 5.3 Current External Influences

The next three tools illustrate the current external influences, which are pointing towards Disruptive Option.

### 5.3.1 Macro Analysis

First, the Macro Analysis is generated via the PESTEL tool, including its six different environments.

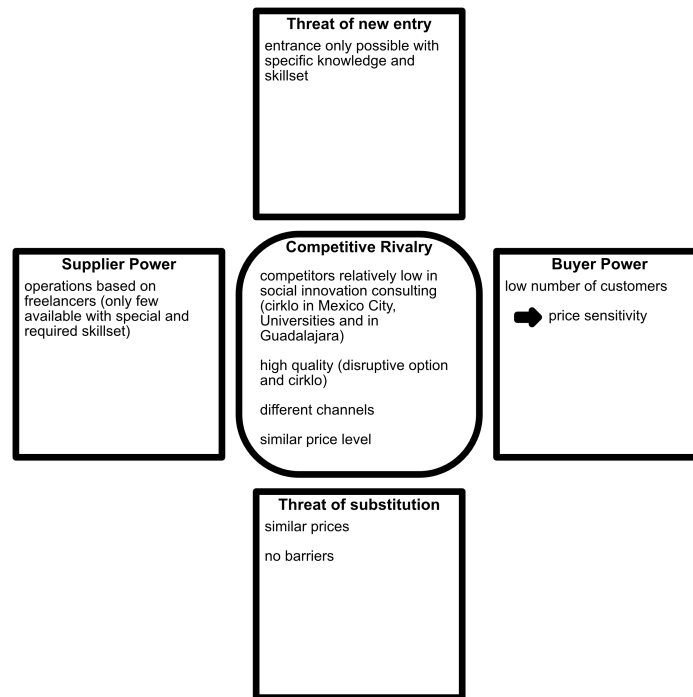
POLITICAL	ECONOMIC	SOCIAL	TECHNOLOGICAL	ENVIRONMENTAL	LEGAL
funding situation because of change of president (no funding for clients in social and R&D sector)  corrupted clients  tax policies (measurement with big companies)	spending potential increases when the economy grows - more money for training and education	huge part of population are young people - huge investments into education  training of old people with lots of experiences to provide a better chance for them on the job market  ethical concerns - gender roles at work, attitude towards work (efficiency), wealth distribution, education level  attitude towards the future	tech awareness  access to new tech  internet infrastructure  level of innovation  automation	climate preservation - climate change  attitude towards "green" products	employment laws for freelancers  education laws  copyright (patent laws - Mexico not that advanced in patent laws)

Figure 5.5: PESTEL Analysis - Disruptive Option

The legal and political environment can produce many threats for Disruptive Option. In the other four environments, Yanira Matienzo sees many opportunities in expanding and creating more potential to grow, especially through the social and technological environment.

### 5.3.2 Industry Analysis

The industry analysis is covered by Porter's five forces tool. It takes a look into the competitive situation of Disruptive Option. This industry analysis was developed in a meeting with Yanira Matienzo, who was able to give insights into the competitive structure of the market, where Disruptive Option is located.



**Figure 5.6:** Porters five forces - Disruptive Option

Asking for competitors on Disruptive Option's market, Yanira Matienzo mentions three proper players including Disruptive Option. This market structure makes the competitive environment of Disruptive Option very small. On the market, regarding Yanira Matienzo, only Cirklo, a company with similar products and services based in Mexico City, is producing the same quality products with similar price tags as Disruptive Option. As seen in figure 5.6, universities are presented as well in this analysis. Universities can be customers, as shown in the prior business model canvas, but also they can take the position on the market as a competitor. But according to Yanira Matienzo, they can be perceived as no strong competitors. The market is still on the up-rise and not many entrepreneurs have seen the market potential in future prove learning solutions. Furthermore, the process of entering the market is hard as well. Yanira Matienzo describes the requirements of contestants and its very specific knowledge and skill set of educational learning solutions as very difficult to acquire. The market also creates a buyer power, which links to the limited costumers on the market. Limited customers and a small number of competitors on the market leads as well to a certain price sensitivity. The weakest point on the market relating to Disruptive Option is, pointed out by Yanira Matienzo, its dependency towards freelancers. The whole operational sector of Disruptive Option is based on very few researchers and project managers with a very specific skill set and knowledge. This creates a supplier power because of the limited numbers of highly educated freelancers.

### 5.3.3 Internal-External Analysis

Here, the 4P's Marketing Mix is illustrated linked to Disruptive Option to draw its internal and external situation. Here again, Yanira Matienzo provided helpful internal information to set up the 4P's.

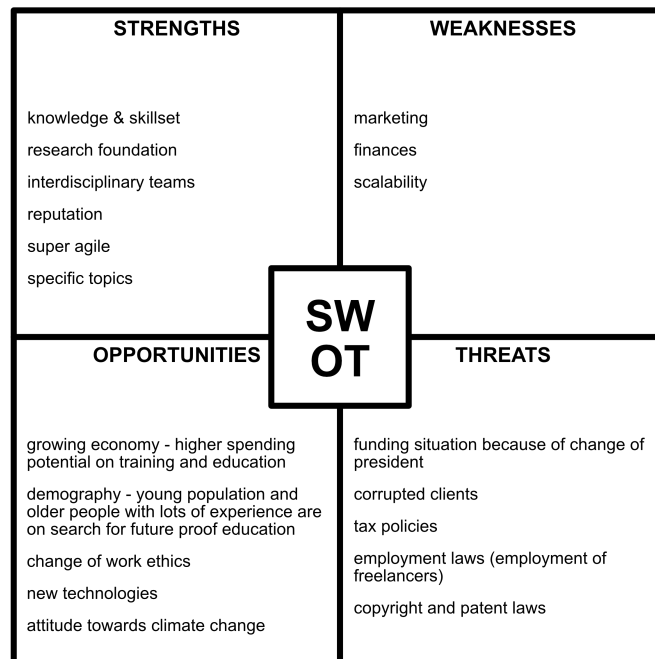


**Figure 5.7:** 4P's Marketing Mix - Disruptive Option

Product and Place have been covered already. The only new introduction through this tool is the Price and Promotion segment. The price strategy is based on a B2B pricing strategy, which stands for quality and high price. The current promotion strategy is built around recommendations and referrals due to the company's novelty on the market.

## 5.4 SWOT

By going through all the prior tools, which were applied onto Disruptive Option, a SWOT analysis can be created to be able to begin with the business model innovation process.



**Figure 5.8:** SWOT - Disruptive Option

- **Strengths**

The strong side of Disruptive option is definitely the essential skill set and knowledge provided by its founders. But not only its founders provide important knowledge for Disruptive Option, also its freelancers bring fundamental competences and talent into the company. Every project is based on a solid research foundation and executed through interdisciplinary work organization, which leads to a productive and confident work style. Because of its work experience on such a small market, Disruptive Option has been able to generate a good reputation. The last important strength, coming along with the interdisciplinary work structure, is Disruptive Option's agility.

- **Weaknesses**

All of the founders originate from the educational sector. This fact creates lack of knowledge in marketing, finances and scalability, which was pointed out by Yanira Matienzo many times.

- **Opportunities**

The opportunities are mainly generated by the mentioned economical, environmental, technological and social environments in the PESTEL analysis. Due to demographic changes and economical growths, growth potential of Disruptive Option has been discovered. Furthermore, the change of work ethics including the attitude towards climate change and the appearance of new technologies will boost the number of

opportunities for Disruptive Option. Especially new technologies will generate ways to scale up the business, for example through e-learning platforms.

- **Threats**

Regarding to the PESTEL analysis, the threats for Disruptive Option are mainly coming from the legal and political sector. The political environment includes the shortcomings of "the funding situation because of the recent change of the Mexican president", says Yanira Matienzo. Also included are the massive problems of corruption in the political system which may include potential customers of Disruptive Option and the tax policy. The legal threats are the change of laws regarding the employment of freelancers and copyright and patent laws.



# Analysis 6

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This chapter deals with the exploration process of new business model designs as described by Taran et al. (2016). Therefore, new business model configurations and changed business model ontology are considered as suitable alternatives for a new business model with the goal of finding a socially impacting and sustainable business model for Disruptive Option. This is done by applying tools, mentioned in the theory part of this paper, on Disruptive Option's business model.

First, the question about Disruptive Option even being able to be a social enterprise has to be answered. Here, the four building blocks by Grieco (2015a) of social entrepreneurship can be applied.

1. The domain of social entrepreneurship

Disruptive Option is an innovative business with its core drive of social value creation. The core drive is creating social value by preparing its customers towards future, linking to e.g. empowerment of women or fair teaching systems. Also it takes place in a for-profit business, which makes Disruptive Option a socio-economic enterprise.

2. The characteristics of individual entrepreneurs

In this case, the founders built Disruptive Option's value proposition around the concept of progressively reaching social transformation. One of the core characteristics of a social entrepreneur, regarding to Hartigan (2006), is the drive to reach progressively social transformation.

3. The object of social enterprise

Here, despite having social value creation in the core of the business, Disruptive Option also needs to be profitable and consider the economic side of the business as similar important as social value creation.

4. The innovative approach

The innovative approach is most influencing in Disruptive Option's value creation process. Different new and innovative educational systems are developed by Disruptive Option and put in the company's value proposition.

Disruptive Option aligns with the previous model, which shows the confirmation of considering Disruptive Option a social enterprise. The concept to follow in Disruptive Option's case is the model of a socio-economic business with focus both on social value creation and profit generation. These requirements incorporated into a business model, create a sustainable business model, or a Business Model for Sustainability defined by Schaltegger et al. (2016b).

This analysis executes the definition by creating a business model which "helps describing,

analyzing, managing and communicating (i) a company's sustainable value proposition to its customers and all other stakeholders, (ii) how it creates and delivers this value, (iii) and how it captures economic value while maintaining or regenerating natural, social and economic capital beyond its organizational boundaries"(Schaltegger et al., 2016b,p.6).

In the case of Disruptive Option, regarding to the prior definition, (i) the company takes its customers and stakeholders serious by including them into the design process of its projects, (ii) the company creates and delivers its services in a transparent way, (iii) the company tries to generate as much social and environmental impact as possible and also focuses on the economical side to still be economically sustainable.

Especially the last point of the business model for sustainability is vital. In the case of Disruptive Option, the generation of social and environmental impact is only possible if economical sustainability is achieved. If losses are generated by this business model on long term, a continuation of the business Disruptive Option will not be possible. But currently, Disruptive Option is generating profit. The financial situation of January 2019, presented in chapter 5, can be used as a positive indication for Disruptive Option's economical sustainability. This positive indication now can be seen as an opportunity to even strive for more social and environmental value creation.

The model of Disruptive Option is already considered as social value driven and sustainable in many ways. But, there are possibilities to create more social and environmental value and be more sustainable.

This is achieved by first diving into business model configurations and trying to find configuration alternatives. After exploiting the options of business model configuration, strategies to create more social value can be applied on business model ontology level. The last section explores the different possibilities of Disruptive Option to create a sustainable and social impact generating business model by changing the organizational structure and characteristics of Disruptive Option.

## 6.1 Business Model Configuration

In this section, the variety of business model configurations is explored. First, the definition of Disruptive Option's key value drivers is required to continue with the evaluation of different suitable business model configuration.

As before captured, the key value driver of Disruptive Option lies in the Value Proposition sector of its business model. Due to the already acquired know-how and the proof of demand on the market, the driver on its value proposition needs to stay the same. The configuration of a trusted advisor stays at the core of Disruptive Option. Also, there are three other configurations, Disruptive Option includes into its business model. To obtain a more detailed and specific description of Disruptive Option, the other three configurations are presented as well following the concept of the 71 configurations by Taran et al. (2016).

### 1. Customer focused

Until now, every concept and project by Disruptive Option has been customer focused. The customer is at the center of every operation and each product is

specifically tailored to the customer's needs.

## 2. Outside-in

The configuration of outside-in is taken place in terms of employee structure. Currently, Disruptive Option is only able to hire external freelancers as researchers or project managers. This leads to value gathering through external sources.

## 3. Quality selling

As mentioned before, the customer is always in the center of Disruptive Option's attention. Every product received by customers is tailored, which comes along with high quality and a higher price.

After clarifying Disruptive Option's current used business model configuration, the business model innovation process, by looking for other possible configurations, starts. To simplify the finding and selection process of configuration alternatives, the SWOT analysis can become handy. The goal is to approach opportunities and threats and find a solution via business model configuration to exploit opportunities and avoid threats.

### Configuration 1 - Subscription Club

The current state of the Mexican economy is growth. This opportunity can be utilized by creating a variety of different new selling models to generate more revenue and to go against the plan of the new president of Mexico to cut funding for many small companies, including Disruptive Option. In this case the proposed selling configuration is the subscription club (Taran et al., 2016). While selecting this configuration, the opportunity of change of work ethics emphasizes the subscription model as well. Through the change of work ethics, many companies are willing to change the internal work culture. This can only be done by a gradually and frequent change program. The subscription model plays along well, in the case of helping and supporting a company to change their work environment and prepare them towards the future by subscribing to Disruptive Option's services.

### Configuration 2 - Robin Hood model

Demography in this selection of configuration is the core opportunity. In the Mexican society, but also in many other countries, young people after graduating university have to face a lot of problems when looking for the first job. Also experienced people, who are older, face these problems as well. Disruptive Option can see this misbehavior of the Mexican job market as an opportunity, in providing services, like workshops or learning programs, aiming for these two groups. Until now, every project was tailored for the specific demands of the customer on high quality level with a high price tag. These groups of people, willing to work but not being able to find a job, cannot spend as an individual a massive amount of money for their future-proof education. For this environment, the configuration - the Robin Hood model, can be applied. The concept of the Robin Hood model is based on providing a similar service to the high income customer group for a higher price than for low income individuals (Taran et al., 2016). The only difference is the characteristics of the offered product. The service offered to the high income groups, because of its price tag, can be tailored to the specific demands of the customers. For the low income individuals a standard product needs to be created with a low degree of individual modifications.

### **Configuration 3 - Full Service Provider**

The configuration, Full Service Provider by Taran et al. (2016), can be considered as well as a solution to generate more revenue and to lead Disruptive Option towards a more economically sustainable future. The concept of a full service provider is "a total and complete coverage of services in one particular area" (Taran et al., 2016,p.505). In many cases, the technological possibilities needed for a complete coverage of Disruptive Option's market do not exist yet, are still in development or are too complicated to use in this current state. For the future, in utilizing the opportunity of using new upcoming technologies can lead to a complete coverage of services and a successful integration of the configuration full service provider into Disruptive Option's business model.

The following explores different strategies to increase social, environmental and economical impact through business model innovation. These strategies are applied onto business model ontology level of the current business model or it tackles the prior preselection of business model configurations.

## **6.2 Business Model Innovation Strategy**

### **6.2.1 Proactive or Reactive on Innovation**

The first step to explore business model innovation on ontology level is the application of the concept of proactive or reactive on innovation by Miles et al. (1978).

Disruptive Option sees itself as an obvious prospector, with its spotlight always on innovation, always on the verge of finding new educational methods to face the future. The second important characteristics to live up to the concept of a prospector is agility. While the research about future living and work changes constantly, Disruptive Option needs to be fast and agile enough to change and innovate its products and services towards new findings, to be first on the market. Also through the generation of new innovation and agility, more impact can be created.

But to reach this level of innovation and agility, resources need to be created in the research and innovation department. Currently, all research is done by freelancers, which creates an unstable environment for company and freelancers. Another issue, boosting the unstable environment for Disruptive Option, is related to employment as well. There are only a limited number of skilled freelancers, who are able to work for Disruptive Option because of their specific knowledge and skill set, available on the market.

The only solution to reach the level of innovation and agility, expected by Disruptive Option and its prospector strategy, is to create full time employment in their research department to lock in the already limited number of skilled freelancers on full time and long term contracts with Disruptive Option.

### **6.2.2 Openness of Innovation**

Next to the Proactive and Reactive strategy, the openness on innovation strategy can be very influential and impacting as well.

The openness strategy, selected for Disruptive Option is the coupled open innovation strategy by Chesbrough and Bogers (2014). In the innovation process, taken into account the open innovation strategy, many actors can contribute with their knowledge. This concept requires in the case of Disruptive Option strategic alliances to work together on products and services to be able to create bigger impact for the environment. The idea behind strategic alliances is the exploitation of one of the provided opportunities by the SWOT analysis. Recently, awareness towards climate change has increased massively, which opens up the possibility to integrate the concept of creating awareness towards climate change into Disruptive Option's products and services. To begin with this process of integration, an alliance can be established with environmental organizations. These organizations are able to provide Disruptive Option with valuable knowledge and research, which can be used to improve the range of services and products of Disruptive Option. To give something back to the collaborating organizations, Disruptive Option can consider free consulting sessions in their field of expertise for these organizations.

### 6.2.3 Positioning on the Social Market

The two prior strategies focus mainly on approaching innovation, but business model innovation can also be executed by taking a leap on the positioning strategy of a company. Furthermore, the targeting process of social enterprises on the market can also be an indicator of the creation of more social value. The model of social market targeting by Schaltegger et al. (2016b) can be applied here with the aim to sustain Disruptive Option's product quality and at the same time improve its market share as shown in the following figure.

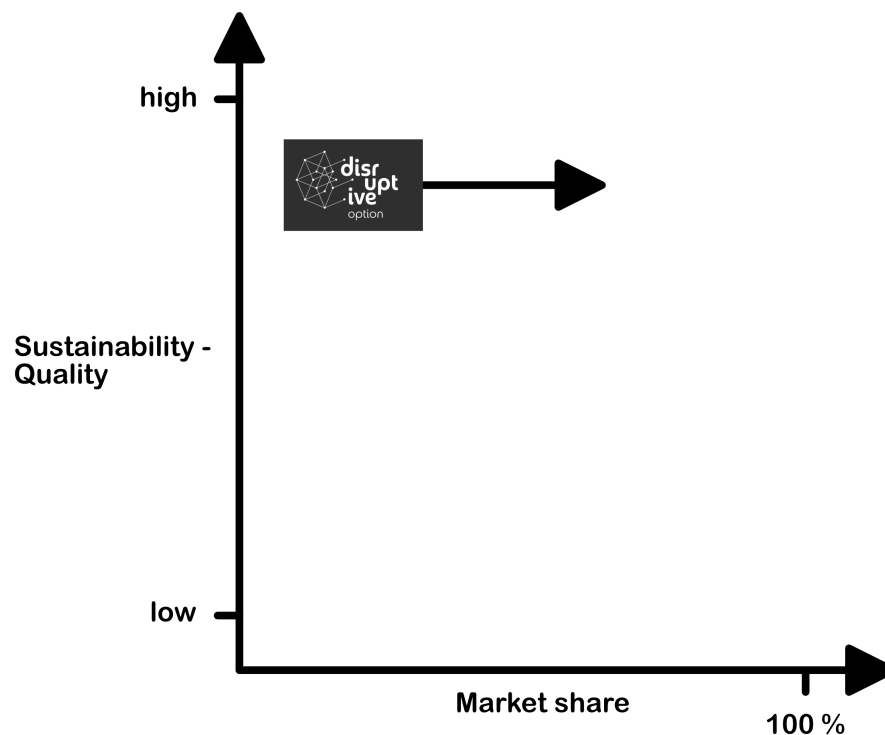


Figure 6.1: Social Market Targeting - Disruptive Option

To achieve the transformation from niche player to mass market contestant, according to Schaltegger et al. (2016b), three parts of a business model have to be analyzed and modified.

- Value Proposition

The goal of changing Disruptive Option's value proposition is the activation of more paying customers through satisfactory incentives. This is done by not loosing any quality and sustainability of the product. In Disruptive Option's case, the Robin Hood configuration and its standard product can fulfill the requirements to tackle the mass market through activation of new customers.

- Value creation and delivery

New channels need to be created to be able to distribute the new value proposition to the company's customers. To deliver the new product, Disruptive Option must create new channels to reach the target group and also it requires a new approach of communicating the product. Both, delivering and communicating, can be achieved by exploiting possibilities provided by professional social networks (e.g. LinkedIn).

- Value Capture

The value capture strategy in using the Robin Hood model is to develop a standard program for the customer group of individuals, which costs money due to development costs. Then, after putting the product on the market, the revenue stays stable while expenses decrease continually and the social value creation increases.

## 6.2.4 Scaling and Innovation

The last strategy to actively influence business model innovation and its social value creation, is a strategy based on the "Evolutionary processes of sustainable entrepreneurship" by Schaltegger et al. (2016b).

Disruptive Option is after 1.5 years still in an early stage of its business development phase. Schaltegger et al. (2016b) proposes four types of evolutionary processes to reach sustainable development of a business. The selected type in Disruptive Option's case is scalability, which leads to growth. For Disruptive Option, growth is the method, which counts in the phase of early business development. Furthermore, the social perspective on growth in such a phase is essential as well, because if Disruptive Option achieves to scale up its business, more social impact will be created as well.

Producing a scalable business model, the tool called SCALERS by Bloom and Chatterji (2009) can be employed to simplify the process of designing, changing and innovate a business model, to achieve a scaling process with the result of more social and financial value creation. It is based on seven blocks, which need to be considered while building up a scalable business model.

- Staffing

As mentioned already in the prospector strategy, Disruptive Option needs to employ its current freelancers long-term and as full time employees to reach every employees full potential and therefore a more successful, sustainable and agile version of Disruptive Option.

- Communicating

Communicating the evolving of work towards the future is mainly done by big news outlets, which create the perception and awareness, that the work culture and environment will change and everybody needs to be prepared towards the future to be still successful. No special communication is required for explaining the need of the offered products by Disruptive Option. But to distribute and advertise its product, a communication department is still needed for a successful commercialization of the company's products. Furthermore, if Disruptive Option is willing to create a standard product for the individual person as part of the Robin Hood model, communication will be a key requirement for selling this product.

- Alliance Building

Alliance building, as explored before, can be taken place in form of strategic alliances with environmental organizations. Also, partnering with universities can be a useful alliance for Disruptive Option to get access to new research resources and be part of the educational mission to prepare the next generations as good as possible.

- Lobbying

Lobbying is an important tool in terms of maximizing social value creation. Thus, Disruptive Option will be able to reach out and rise awareness to new customer groups through governmental organizations. With the help of lobbying, maybe a collaboration can be initiated between Disruptive Option and the government.

- Earnings Generation

Earning generation, through selling its products, is an essential part of Disruptive Option's business model already. Due to the socio-economic layout of Disruptive Option, a sustainable business has been established.

- Replicating

The current product portfolio of Disruptive Option is based on a tailored service, always different for the specific customer. If the Robin Hood model is executed, a standard product needs to be created. This product can be a replicated and shortened version of the current product of Disruptive Option. Replicating a product, which already works and produces guaranteed a positive social outcome, simplifies the process of designing a new product.

- Stimulating Market Forces

Stimulating market forces is not applicable in the case of Disruptive Option.

These prior applied strategies are able to actively innovate and change the business model of Disruptive Option. The following section dives into the organizational boundaries and strategies. These following tools can reform the organizational culture and consequently influences the business model as well to receive a sustainable business model.

## 6.3 Business Model Innovation and Organizations

### 6.3.1 Stewardship

The idea of stewardship by Bacq and Eddleston (2018) can define a company's organizational culture and is able to provide a tool to improve a company's outcome only by adjusting a company towards stewardship.

Currently, Disruptive Option basically has its three founders working for the company and few freelancers. The direction in terms of stewardship is mainly entrepreneur-centered. Furthermore, an entrepreneur-centered adjustment requires entrepreneurs to put the company's success before their own, which is the case at Disruptive Option and its three founders. This characteristic of not having the need for power is crucial in building up a successful enterprise. This means, within the company, the characteristics of the founders of not striving for the most power, underline the smooth collaboration among founders and freelancers and also the interdisciplinary work in projects. However, when the research and communication department of Disruptive Option gets expanded, the shift into an employee-centered stewardship is required. This can be achieved by nurturing the organizational culture by the founders to implement employee-centered stewardship. An employee-centered stewardship creates a comfortable working culture inside the company as well as appreciating joint efforts and collaborations.

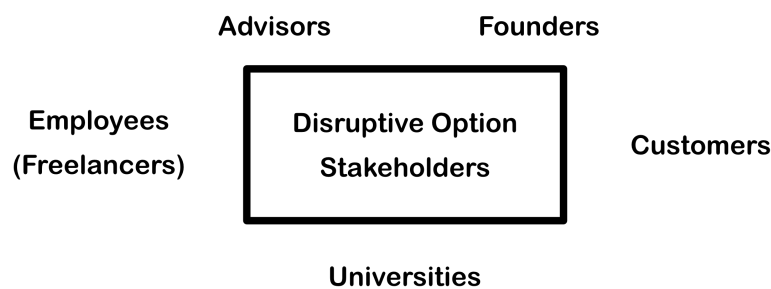
The final result should contain a mixture of employee-centered and entrepreneur-centered stewardship, to generate the most success. This organizational method of stewardship does not contribute into the business model innovation discussion on the ontology level, but it provides Disruptive Option with a tool to improve value creation inside Disruptive Option for its future.

### 6.3.2 Organizational Behavior

#### Stakeholder Theory

The concept of the stakeholder theory incorporates the idea of having responsibility towards all stakeholders of a company, not only to its shareholders. This concept can be applied on every company, when direct collaboration with stakeholders achieve high longevity results. (Grieco, 2015b)

The following figure presents the current stakeholders of Disruptive Option.



**Figure 6.2:** Stakeholders - Disruptive Option

The concept of the stakeholder theory is already blended into the business model of Disruptive Option, by working in interdisciplinary teams based on Disruptive Option's employees, currently freelancers, to get as much input through different perspectives from people with different backgrounds. However, the theory can be absorbed more by Disruptive Option. A bigger focus can be put on customer relationship, reaching out to customers more often and adjust the product offers aligning to customers' demands.



### **Shared Value Creation**

The principle of shared value creation is the alignment of business and society. Both sides should be able to profit from each other (Grieco, 2015b). In the case of Disruptive Option, it profits from society by selling its products, on the other side, Disruptive Option should be capable of giving something back to society to create an equilibrium between business and society again. Disruptive Option already creates social value through education, but to reach a balance between both sides, free events about future proof education can be a method. Free events not only can restore a balance, also it can create easy ways of communicating Disruptive Option's products and raise awareness.

### **Triple Bottom Line**

The triple bottom line by Elkington (1997) incorporates the consideration of people, planet and profit, while designing a business and its culture.

Disruptive Option already generates profit through an educational program of future proof preparation, which covers two points of the triple bottom line concept. The last point, the planet, can be considered, as already mentioned, by collaborating with environmental organizations to raise awareness and create a program to tackle climate change through education.

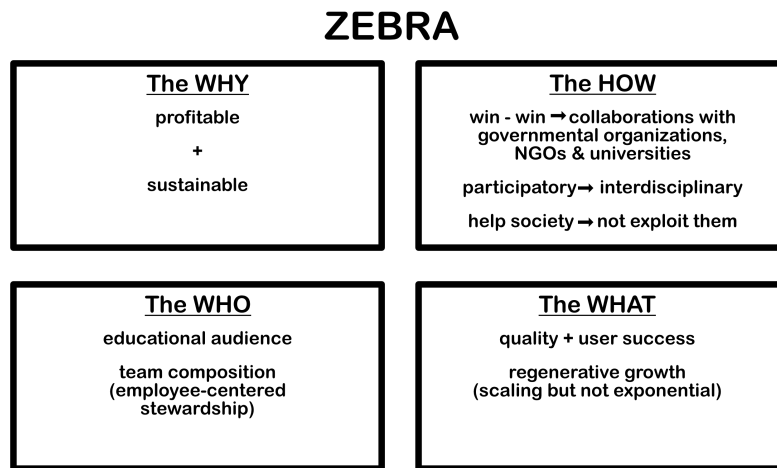
#### **6.3.3 ZEBRA**

The Zebra concept was developed by Brandel et al. (2017) with the aim to include social value creation as well into a business and not only focus on pure profit generation for shareholders.

It takes the characteristic of a zebra, the animal, and puts it in comparison to a unicorn, relating it to businesses and their organizations.

Disruptive Option is already striving for becoming a Zebra one day. First of all, Disruptive Option sees itself as black and white, like a zebra, in producing revenue but also generating social impact. Further, Disruptive Option can innovate its business by including the mutualistic behavior of a zebra into their business model as well. This can be executed by collaborating with other organizations to create the most impact as possible.

The other four columns of the Zebra model are shown in the following figure.



**Figure 6.3:** ZEBRA theory - Disruptive Option

This Zebra theory is able to provide an illustration of Disruptive Option's core business and its motivational characteristics after a successful business model innovation. Additionally, the zebra theory can present more different motivational options in becoming an even more sustainable business.

By following this model, Disruptive Option can provide solutions to social problems in supporting institutions, the business sector or every individual to adapt social improvements to create innovation and success.

#### 6.3.4 Massive Transformative Purpose (MTP)

The massive transformative purpose by Berman (2016) embodies, similar to the Zebra theory, a big motivational factor, linking to value creation of a business. The massive transformative purpose is the written core motivation, which is provided by a company, similar to a mission statement. The MTP is only focusing more on the motivational and associated emotional aspects of a mission than the overall mission.

Disruptive Option's mission statement is long and comprehensive but it does not create an emotional purpose, which is massive and transformative. The following presents the MTP of Disruptive Option, which is cut to the core of Disruptive Option's motivation.



**Figure 6.4:** Massive Transformative Purpose - Disruptive Option

With this MTP, a mixed employee-centered and entrepreneur-centered stewardship can be integrated into the organizational structures of Disruptive Option. It provides Disruptive

Option with a motivational purpose for founders and employees to generate more value for company and society.

## 6.4 Summary of Innovation

After applying all strategies towards more sustainability on Disruptive Option, the results are shown here in a summary of all innovation proposals.

Potential business model innovation proposals or alternatives, generated by prior tools and strategies, are shown after presenting again the initial business model configurations of Disruptive Option.

### Initial Configurations

- Trusted advisor
- Customer focused
- Outside-in
- Quality selling

### Business Model Alternatives

- Subscription model
- Robin Hood model
- Development of a new product (standard product)
- Full service provider
- New employees in research, innovation and communication department
- Partnerships with Organizations
- Alliances or lobbying with governmental organizations or universities
- Free events
- Integration of new models to change work culture and motivation (MTP, Zebra concept and stewardship)

The following chapter 7 assesses these business model alternatives in a risk evaluation process concluding with the final decision, which alternatives can be implemented and which need to be withdrawn or implemented to a later point of time.

# Assessment and Selection

# 7

As in the previous chapter presented, there are nine business model alternatives or additional suggestions to the current business model by Disruptive Option for the innovation process. This chapter, regarding to the chosen framework by Taran et al. (2016), illustrates the interface between the assessment and the selection process. The selection process is based on risk management, to decide which alternative can be executed and which suggestions include too much risks to be handled by Disruptive Option.

## 7.1 Risk Management

The risk management process is built up on four steps (Taran et al., 2013).

### Identify and Analyze

The identification process is supported by the framework of key risks of an organization by The Institute of Risk Management (2002).

- Financial Risks

All financial risks, created by new business model changes are related to company's internal cash flow and liquidity. By introducing the subscription model or the Robin Hood model including the development of a new product, can force Disruptive Option into bankruptcy if these models don't create as much traction on the market as expected. Furthermore, offering free events can develop a lack of cash flow as well. The last risk connected to finances is the employment of new employees, which generates too high expenses when the financial planning is not executed well enough.

- Strategic Risks

As mentioned in financial risks already, the introduction of the subscription or Robin Hood model is dependent on the final customer demand on the market, which provokes a strategic external risk as well. Another internal strategic risk is the possible loss of intellectual capital by developing alliances and partnerships.

- Operational Risks

Risks, which can jeopardize the internal operations of Disruptive Option, are new employees and possible partnerships with organization, due to direct access to Disruptive Option's operations. Another operational risk is the implementation of the concept of a full service provider. In state of development, which Disruptive Option is located in, with little resources, an implementation of this concept can lead to a collapse of Disruptive Option's operation, as a result of the lack of resources. Not only these mentioned risks can destroy the operational ability of Disruptive option, the work culture can influence the operational outcome massively as well.

By wrongly attempting an implementation of changing the work culture, negative effects can be initiated.

- **Hazard Risks**

There are only two business model changes, which have the characteristics of generating hazard risks. Both, the development of partnerships and alliances produce access points for external institutions into the company. Now, these institutions will be able to affect Disruptive Option in a positive way, but there is also a possibility for negative influences towards Disruptive Option.

## Evaluate

The evaluation process decides which business model change can be integrated into a new business model.

The risks with the biggest impacts are generated through the implementation of a different business model configuration in Disruptive Option's case and create high likelihoods of risk realizations. In this case, the subscription model produces the least amount of risks, compared to the Robin Hood model with its required new development of a product and the configuration of a full service provider. These two currently not fitting configurations can be picked up later, after a successful implementation of the subscription model. Also, the free events to give back to society can wait as well, due to limited current resources of Disruptive Option. The need for new employees as well generates a financial and operational risk, but the generated impact is concerned as medium compared to change of configurations. Further, the needed growth of Disruptive Option requires new employees to tackle the bigger demand. The positive outcomes of alliances, lobbying and partnerships with organization outdo the negative related risks, which lead to including these three proposals into the final business model innovation process. The last new integration is connected to work culture. The introduction of stewardship, the Zebra model and the massive transformational purpose into Disruptive Option creates so minimal risks, which simplify the decision to absorb this idea of changing the work culture and the company's internal motivation into the new business model.

## Treat

Selected changes	Treatment
Subscription model	Risk control through acceptance
New employees	Risk avoidance by hiring current freelancers as full time employees
Establishment of alliances and lobbying	Risk control through acceptance
Creation of partnerships with organizations	Risk control by providing the organization limited access to Disruptive Option
Change of work culture	Risk acceptance

**Table 7.1:** Risk treatment - Disruptive Option

## 7.2 Selection

To illustrate the selection of changes of the prior business model innovation selection process, the innovation space by Taran et al. (2015) can be utilized to display the depth of innovation.

As the result of the selection process, the new business model needs to be presented. This is done with the help of the business model canvas by Osterwalder and Pigneur (2010), to provide a comprehensive perspective on the new business model.

### 7.2.1 Innovation Space

#### Complexity and Radicality

The complexity and radicality of the business model innovation process is illustrated in the following table.

Customer Relations	
New Relationship channels due to new communication channels	Radical Innovation
Value Chain Architecture	
Open for collaboration with a variety of different organizations	Radical Innovation
Core Competencies	
Novelty for Disruptive Option in lobbying, collaboration and communications	Radical Innovation
Partner Network	
New strategic partners	Radical Innovation
Profit Formula	
Completely new revenue stream through subscription model	Radical Innovation

**Figure 7.1:** Complexity and Radicality - Disruptive Option

The complexity of an innovation is always the number of changed building blocks in a business model innovation process. The radicality of each building block is defined by the table 3.8. (Taran et al., 2016). Now, in Disruptive Option's case, five building blocks are changed by including something new.

- **Customer Relations**

Regarding to table 3.8., if new communication channels are added to a business model, then this change is considered radical.

- **Value Chain Architecture**

Radical innovation in the value chain architecture is based on exploration, not on exploitation, according to table 3.8. By being open for collaborations with different organizations, like in Disruptive Option's case, the value chain architecture changes and leads to a radical innovation.

- **Core Competencies**

Lobbying, collaborating and communications are competences, which Disruptive Option has yet not included into the company's strengths. This means, these competencies are new to the company but not new to the market, industry or world. Despite only being new to the company, this extension of core competencies can be called a radical innovation. Regarding to table 3.8., if a core competence is crucial for achieving the company's competitive advantages and is unfamiliar to the company, which is the case with lobbying, collaborating and communications, then it can be called radical innovation.

- **Partner Network**

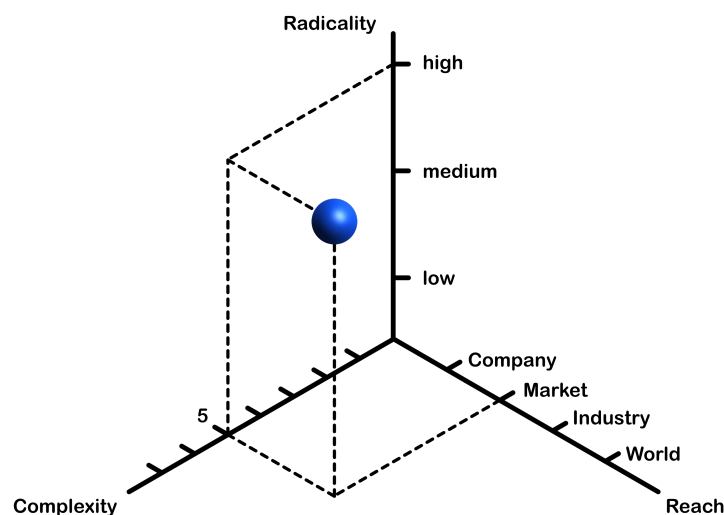
Radical Innovation in a partner network are, as seen in table 3.8., new partners for the company. In Disruptive Option's case, new strategic partners will extend its partner network, which leads to radical innovation.

- **Profit Formula**

Table 3.8. describes radical innovation for the profit formula as the initiation of new processes to generate new revenue. In Disruptive Option's case, a subscription model is created to generate more revenue. Again, this change is recognized as radical.

## Reach

The subscription model is something new to the Disruptive Option's market. This means, the reach of innovation of Disruptive Option is the market, not only the company.



**Figure 7.2:** Innovation Space - Disruptive Option

### 7.2.2 New Business Model Canvas

The business model changes and innovation are displayed in this business model canvas. The changes are marked red.

Key Partners	Key Activities	Value Proposition	Customer RS	Customer Segments
advisors incubator university freelance researchers and project managers	consulting sessions strategic design research <b>lobbying &amp; collaborations &amp; communication</b>	designing and transforming learning for the future (learning solution for the future, future-proof learning models and experiences) gamification of leaning experience creative storytelling	personal (digital / online) from idea to pilot confidence backed in research co-participation / interdisciplinary <b>new communication department takes care of new CRS</b>	tech & ed-tech (startups to middle size businesses) non profit organizations (NGO) international organizations universities
<b>collaborating organizations and governmental institutions</b>	<b>Key Resources</b> virtual office IT <b>Employees</b>		<b>Distribution Channels</b> recommendation  <b>new communication department - new channels are created to reach bigger audience (e.g. LinkedIn)</b>	
Cost Structure		Revenue Streams		
freelancers (external workers) IT costs salaries (founders) virtual offices accountant and lawyers		consulting fee production workshops conferences and speeches <b>subscription revenues</b>		
<b>salaries for new employees</b>				

Figure 7.3: New Business Model Canvas - Disruptive Option



# Action Plan 8

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The framework by Taran et al. (2016) requires an action plan after selecting a new business model. This is done by creating milestones, which describe the path to follow for a successful implementation.

The changes necessary to complete the business model innovation process of Disruptive Option, regarding to chapter 7, are:

1. Innovate Disruptive Option's work culture
2. Invest more effort into communication
3. Hire freelancers on full time contracts
4. Open up to lobbying, alliances and collaborations with organizations
5. Integration of the subscription model into the business model of Disruptive Option

Knowing the required changes, the path to implementation is structured via the change management concept by Kotter (2007), as described in chapter 4. In Disruptive Option's case, the following presents eight milestones to execute, before the business model innovation process is completed.

## 8.1 Milestones

### **Milestone 1 - Establishing a sense of urgency**

The first milestone is based on the acceptance of change on the side of Disruptive Option. Due to the young age of Disruptive Option and its strive for growth, the decision for change is easy to make. This means, the willingness to change and to create social and economical impact is already integrated inside Disruptive Option.

### **Milestone 2 - Forming a powerful guiding coalition**

Disruptive Option is a start up, in which the founders are still responsible for executive decisions. Therefore, to complete milestone 2, the founders can be considered the powerful guiding coalition, to jump start the change in Disruptive Option.

### **Milestone 3 - Creating a vision**

In the third milestone's case, a motivational vision is generated in chapter 6, focusing on massive transformational purpose. The new vision for Disruptive Option is "Tackle new technologies and future challenges through innovative education". Also included into the vision of Disruptive Option, is the concept of stewardship and the Zebra strategy, as mentioned in chapter 6.

**Milestone 4 - Communicating the vision**

As elaborated in chapter 6, focusing more on communication can create more value to the company, but also help to communicate the vision and strategy of Disruptive Option. In the case of milestone 4, special attention needs to be put on the communication of Disruptive Option. To accomplish this milestone, maybe a employee especially hired for communication is necessary for completion.

**Milestone 5 - Empowering others to act on the vision**

Due to the personal structures of Disruptive Option, many freelancers are currently engaged. Milestone 5 requires empowerment to act on the vision. The easiest way to empower these freelancers to pursue the vision of Disruptive Option is, if the vision gets executed, to offer these freelancers a full time contract. This would generate a win win situation for both, Disruptive Option and freelancers. Freelancers would have the security of having a frequent income and Disruptive Option would thrive by generating more value through the motivational empowering of these new employees.

**Milestone 6 - Planning for and creating short term wins**

Milestone 6 can be accomplished by integrating lobbying, creating alliances and collaboration into the key activities of Disruptive Option. By doing so, small wins can be generated, for example by collaborating with an environmental organization. Through such a collaboration, new skills and knowledge can be provoked and more impact can be generated.

**Milestone 7 - Consolidate improvements and produce more change**

Using the leverage of the prior small wins to introduce even more change, this milestone can be completed by introducing the subscription model into Disruptive Option's business model.

**Milestone 8 - Institutionalizing new approaches**

By creating an environment in Disruptive Option, which fosters change, new ideas like free events, the Robin Hood model or the full service provider can be considered in the future.

## 8.2 Pitfalls

But, according to Kotter (2007), the introduction of change also includes common pitfalls, which can be avoided. The following table presents risks, which can come along when the prior milestones are executed.

Milestones	Pitfalls
Milestone 1	Regarding to Kotter (2007), the main pitfall, which comes along with milestone 1 is "[u]nderestimating the difficulty of driving people from their comfort zones" (Kotter, 2007,p.1).
Milestone 2	The challenge in milestone 2 is to gather people, who have enough experience to introduce the change into an organization (Kotter, 2007).
Milestone 3	Milestone 3 focuses on the creation of a vision. The pitfall in this case is to design the vision too complicated so nobody understands it (Kotter, 2007).
Milestone 4	Milestone 4 requires the communication of the vision. The relating risk is the "[u]ndercommunicating the vision"(Kotter, 2007,p.1).
Milestone 5	The pitfall in this step is the inability to remove employees, who resist the change (Kotter, 2007).
Milestone 6	Here, the risk is to not believe in short term successes (Kotter, 2007).
Milestone 7	The biggest pitfall in milestone 7 is "[d]eclaring victory too soon - with the first performance improvement"(Kotter, 2007,p.1).
Milestone 8	"Not creating new social norms and shared values consistent with changes"(Kotter, 2007,p.1).

**Table 8.1:** Pitfalls according to Kotter (2007)

Disruptive Option can prepare themselves to avoid the problems and minimize the risks to fall for one of these pitfalls. In **Milestone 1**, when the creation of urgency is executed, everybody who works for Disruptive Option needs to be motivated to come out of their comfort zone. This especially needs to be applied towards employees and freelancers. The founders of Disruptive Option are very aware of the necessity of change to accomplish bigger growth, which are the crucial driver of change. In **Milestone 2**, to avoid this pitfall, an experienced person is needed to accompany Disruptive Option through the change process. This can be done by mentors or business angels, who have lots of experience in change processes. To avoid the pitfall in **Milestone 3**, an easily understandable vision needs to be introduced into Disruptive Option. This is done, as already described before, by including MTP, stewardship and the Zebra concept into the vision. The related pitfall to **Milestone 4** can be avoided by increasing effort in communication, which includes also communicating the vision of Disruptive Option. The pitfall of **Milestone 5** can easily be avoided, due to the current structure of Disruptive Option. The elimination of the risk of hiring the wrong employees, who will resist the change, is simple. Until now, many freelancers have been working for Disruptive Option. Hiring only the best of these freelancers can eliminate this pitfall. In **Milestone 6**, Disruptive Option can prevent this pitfall, due to its believe into the creation of social impact. By always believing, social value generation, no matter the amount, is always impacting and valuable, then the risk for not believing in short term successes is low. In **Milestone 7**, the strive of Disruptive Option for bigger growth and more social impact creation can become useful to avoid this pitfall. By always striving for more value creation, the concept of declaring victory too soon will not be the case for Disruptive Option. The consideration of future change or innovation in **Milestone 8**, creates an environment which fosters change and innovation. By already exploring new opportunities in this milestone, Disruptive Option can avoid the last pitfall.

# Conclusion 9

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While foundations of social enterprises have become more popular over the last decades, business model innovation inside a social enterprise becomes more interesting as well. To engage in the field of social entrepreneurship, this master thesis focuses on the exploration of business model innovation in a social entrepreneurship environment. Simultaneously focusing on different theories in business model innovation and social entrepreneurship, to establish a connection to reality, a collaboration with the Mexican social enterprise, Disruptive Option, was set up. This collaboration was integrated into this thesis as a case study to gain interesting and useful insights into the social enterprise world. The collaboration led to a specific research question, which needed to be answered:

How to innovate the business model of the social enterprise, Disruptive Option, to generate as much social impact as possible and simultaneously create a sustainable business?

To have an idea of social entrepreneurship and business model innovation, a comprehensive exploration of theories in these two fields was conducted. The found theories provide the reader with the idea of the concept of social entrepreneurship, business modeling and business model innovation. Furthermore, it presents strategies for organizations to generate a sustainable and impactful business. After clarifying the theory to achieve the goals, provided by the research question, an analytical framework was needed to integrate the theories into the case study. This was done by introducing the business model innovation framework of Taran et al. (2016). This framework goes along perfectly with the chosen methodology, the action research and the case study. Now, with the spotlight on Disruptive Option, the "As-Is" business model needs to be analyzed, resulting into a SWOT analysis. This was executed together in close collaboration with Yanira Matienzo, a founder of Disruptive Option, in many meetings in Mexico City. The second step was the search for a new business model. This step was based on the application of all the mentioned theories on Disruptive Option followed by selecting these new alternatives through a risk management process. Third step is the generation of an action plan. This generated action plan can be seen as an answer to the research question.

## 9.1 Action Plan

This collaboration was built up as a win win collaboration for the researcher as well as Disruptive Option. By realizing the case study, Disruptive Option has obtained useful and valuable information, as well as an action plan to execute the change of business model in the near future, while the researcher received much interesting and valuable information for his thesis.



**Figure 9.1:** Action Plan - Disruptive Option

Also, additionally to the action plan, the thesis proposes different strategies to avoid pitfalls, which come along with the execution of the action plan. The most important pitfall for Disruptive Option, which needs to be avoided, is not to be able to create an environment for fostering change and innovation. This means, Disruptive Option's spotlight in the future should always be on the effort of change and innovation.

## 9.2 Disruptive Option in the Future

This action plan contributes with new ideas, like the Robin Hood model, the full service provider or free events, to include new approaches into Disruptive Option's business modeling process and to avoid the pitfall of creating an environment, which is not able to foster creativity, innovation and change. Furthermore, this action plan provides Disruptive Option with a tool to innovate its business model, to achieve growth and social impact in the future. The missing step of the chosen analytical framework is the process of implementation, which requires measurements and iterations of the business model innovation process to find the best version of the future business model. These measurements need to be based on social value creation and economic sustainability. The results of measurements can lead to an adjustment process for the action plan and also to new insights for future business model innovation attempts, like the introduction of the Robin Hood model.

## 9.3 Reflection

Due to mentioned time limitations of this master thesis project, the implementation of the action plan and the followed measurement of impact could not be considered. Due to this time issue, this thesis cannot deliver explicit proof if the proposed action plan provides Disruptive Option with the expected amount of impact and value creation, as described.

To follow up on the business model innovation process, the implementation step, including measuring the value generation, can be worth looking into as well. Especially the measuring process of social impact can be an interesting topic. The execution of measuring economic sustainability is straightforward. This is done by only analyzing Disruptive Option's

finances. The measurement of social impact is in contrast with economic sustainability more challenging. Measurable results, which were created by social value generation, are more difficult to define and consequently harder to measure.

Another interesting topic, which this thesis was not able to cover, is the generalization of business model innovation in a social entrepreneurship environment. In this thesis, due to its case study character, the scope was only directed at Disruptive Option. For many other start ups, a generalization of this field could be a valuable source of information, to create social and economic impact.

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# Business Model Configurations

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Business Model Configuration by Taran et al. (2016)

Number	Configurations + descriptions and origination	Synonymous configurations	Secondary value drivers
<i>Configurations linked to Value Proposition</i>			
VP1	Brokerage (Johnson, 2010): bring together buyers and sellers and facilitate transactions (Orbitz Worldwide, Century21 Real Estate)	Information brokerage, trust and other services (Timmers, 1998), intermediary (Weill and Vitale, 2001), affiliate model (Rappa, 2001), brokerage model (Rappa, 2001), open market making (Linder and Cantrell, 2000), exclusive market making (Linder and Cantrell, 2000), affiliation (Gassmann <i>et al.</i> , 2014), revenue sharing (Gassmann <i>et al.</i> , 2014)	Value Capture and Value Segment
VP2	Collaboration platforms (Timmers, 1998): provide a platform (a tool kit and an information environment) for collaboration between enterprises (Podio)	Shared IT infrastructure (Weill and Vitale, 2001)	Value Segment
VP3	Cool brands (Linder and Cantrell, 2000): use a high-end brand marketing for products or services either singly or with expert partners (NIKE)	Linked to ingredient branding (Gassmann <i>et al.</i> , 2014)	Value Network and Value Configuration
VP4	Crowd sourcing (Johnson, 2010): obtain services, ideas, or content by soliciting contributions from a large group of external actors, and especially from online communities. Members (customers or partners) add information into a basic environment and thereby create value for one another (Wikipedia, YouTube)	Community model (Rappa, 2001), open source (Gassmann <i>et al.</i> , 2014), crowd sourcing (Gassmann <i>et al.</i> , 2014), virtual community (Weill and Vitale, 2001)	Value Segment and Value Network
VP5	Experience destination (Linder and Cantrell, 2000): attract customers through a carefully designed environment that increases the value of the product/service offered (NIKE Town, LEGOLAND, Barnes and Noble)	Experience selling (Gassmann <i>et al.</i> , 2014)	Value Configuration and Value Segment
VP6	Fast follower (Authors' interpretation): under-price competitors and leverage marketing to persuade customers that your offering is equivalent (MCI WorldCom with AT&T)	Under the umbrella pricing (Linder and Cantrell, 2000), linked to reverse engineering (Gassmann <i>et al.</i> , 2014)	Value Segment and Value Configuration
(continued)			

Number	Configurations + descriptions and origination	Synonymous configurations	Secondary value drivers
VP7	Full service provider (Weill and Vitale, 2001): provide a total and complete coverage of services in one particular area (e.g. financial, health) (Alberta Health Services, Geek Squad)	Solution provider (Gassmann <i>et al.</i> , 2014), trusted solution (Linder and Cantrell, 2000), linked to cross selling (Gassmann <i>et al.</i> , 2014)	Value Configuration and Value Segment
VP8	Incomparable products/services (Linder and Cantrell, 2000): exploit proprietary technology to offer unique products/services that command high margins (Genzyme, Polaroid in the 60s)	Linked to Aikido (Gassmann <i>et al.</i> , 2014)	Value Configuration
VP9	Infomediary (Rappa, 2001): collector/and process information for other in regards to market information, products, producers and consumers (Edmund)	Referral (Afuah and Tucci, 2003), leverage customer data (Gassmann <i>et al.</i> , 2014)	Value Network and Value Configuration
VP10	Mass-customized commodity (Linder and Cantrell, 2000): customized model options along with competitive prices and fast delivery (Dell)	Mass customization (Gassmann <i>et al.</i> , 2014)	Value Configuration and Value Segment
VP11	No frills (Gassmann <i>et al.</i> , 2014): offer low price, low service/ product and standardized version of a traditionally high-end offering (Ryanair)	Low touch (Johnson, 2010), add-on (Gassmann <i>et al.</i> , 2014), low-price reliable commodity (Linder and Cantrell, 2000), standardization (Johnson, 2010)	Value Configuration and Value Segment
VP12	Peer to peer (Gassmann <i>et al.</i> , 2014): offer a platform for individuals belonging to homogeneous group so that they can share information and experiences or offer personal items (Airbnb, Zopa)		Value Segment
VP13	Price-reduction bundling (Authors' interpretation): packaging related product together. The price of the package deal is lower than the sum of the prices of the single products or services (Fast food value meals)	Bundling (Johnson, 2010)	Value Configuration
VP14	Quality selling (Linder and Cantrell, 2000): sell high quality products for premium prices. This configuration comes in two		Value Segment
(continued)			

Table III.

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Number	Configurations + descriptions and origination	Synonymous configurations	Secondary value drivers
	variants: producing quality products (LEGO) and reselling quality products (Saks Fifth Avenue)		
VP15	Selling product performance (Authors' interpretation): rather than sell product ownership, sell the performance that the product fulfills (e.g. time unit, distance unit) (Rolls Royce engines, Zipcar)	Product to service (Johnson, 2010), rent instead of buy (Gassmann <i>et al.</i> , 2014), performance-based contracting (Gassmann <i>et al.</i> , 2014), guaranteed availability (Gassmann <i>et al.</i> , 2014)	Value Segment and Value Capture
VP16	User design (Gassmann <i>et al.</i> , 2014): the customers design the products on their own through the company's online platform and infrastructure. The company gets a fee for every product sold, thus benefiting from the customers' creativity. The customers can develop their ideas without having to create any infrastructure (Lulu.com, LegoFactory)		Value Configuration and Value Capture
VP17	Trusted advisor (Linder and Cantrell, 2000): stay on top of the information loop and provide customers with answers to complex questions (McKinsey, Merrill Lynch)		Value Segment
VP18	Trusted operation (Linder and Cantrell, 2000): provide predictable operations that carry big consequences for failure (Rolls Royce, State Street)		Value Segment
VP19	Trusted product/service leadership (Linder and Cantrell, 2000): ensure long-lasting customer relationships through a platform with a continuous upgrade path (Teradyne)		Value Segment and Value Configuration
VP20	Value added reseller (Linder and Cantrell, 2000): focus on added value in sales and service while offering a complete selection of readily available products in a focus category for attractive prices (Toys R Us, Berkshire Computer)	Cat-daddy selling (Linder and Cantrell, 2000)	Value Segment and Value Capture

(continued)

Number	Configurations + descriptions and origination	Synonymous configurations	Secondary value drivers
VP21	Value bundling (Authors' interpretation): offer a package of acceptable quality goods and services to form a single unique offering. The price of the unique offering is higher than the sum of the prices of the single products or services (Omnicom, ModusLink Global Solutions)	Comprehensive offering (Linder and Cantrell, 2000)	Value Segment and Value Configuration
VP22	Value chain coordinator (Authors' interpretation): provide transaction coordination services and optimization of the communicational and organizational workflows for all parties involved in the same value chain (Celarix, PrintConnect.com)	Value net integrator (Weill and Vitale, 2001), value chain integrators (Timmers, 1998), transaction service and exchange intermediation (Linder and Cantrell, 2000)	Value Network and Value Segment
VP23	Value chain service provider (Timmers, 1998): focus on a specific function in the value chain, such as electronic payments or logistics, with the intention to serve a number of different value chains in several industries (PayPal, UPS)	Layer player (Gassmann <i>et al.</i> , 2014), reliable commodity operations (Linder and Cantrell, 2000), service-wrapped commodity (Linder and Cantrell, 2000)	Value Configuration
<i>Configurations linked to Value Segment</i>			
VS1	Breakthrough markets (Linder and Cantrell, 2000): invest in opening new markets to gain at least a temporary monopoly (AIG Insurance)		Value Proposition and Value Configuration
VS2	Customer focused (Authors' interpretation): focus on the customer needs and decentralize the infrastructure management and the product innovation activities (Zara)	From push to pull (Gassmann <i>et al.</i> , 2014)	Value Configuration and Value Network
VS3	Free for advertising (Linder and Cantrell, 2000): offer free products and services through a platform and make revenues from selling advertising space (Facebook, Google)	Advertising model (Rappa, 2001), free advertising (Osterwalder and Pigneur, 2010), market aggregation (Linder and Cantrell, 2000), hidden revenue (Gassmann <i>et al.</i> , 2014)	Value Capture and Value Proposition
(continued)			

Number	Configurations + descriptions and origination	Synonymous configurations	Secondary value drivers
VS4	Multi-sided platforms (Osterwalder and Pigneur, 2010): multi-sided platforms create value by facilitating interactions between two or more distinct but interdependent groups of customers (Nintendo, Google)	Two-sided market (Gassmann <i>et al.</i> , 2014), multi-party market aggregation (Linder and Cantrell, 2000), hidden revenue (Gassmann <i>et al.</i> , 2014)	Value Configuration and Value Proposition
VS5	Robin Hood (Gassmann <i>et al.</i> , 2014): the same product or service is provided to high-income customers at a much higher price than to the low-income customers. Serving the low-income segment is not profitable per se, but creates economies of scale, which other providers cannot achieve (TOMS Shoes, Warby Parker)		Value Proposition
VS6	Round up buyers (Authors' interpretation): buyers are rounded up to gain purchase discounts and thereby attractive prices (Costco)	Buying club (Linder and Cantrell, 2000)	Value Proposition and Value Network
VS7	Target the poor (Gassmann <i>et al.</i> , 2014): the product or service offering does not target the premium customer, but rather the customer positioned at the base of the pyramid. Benefit from the higher sales numbers that usually come with the scale of the customer base (Grameen Bank, WalMart)		Value Proposition and Value Configuration
VS8	Ultimate luxury (Gassmann <i>et al.</i> , 2014): target high-income customers with high quality, high status, luxury products (Lamborghini, Jumeirah Group)		Value Proposition
<i>Configurations linked to Value Configuration</i>			
VCo1	Branded reliable commodity (Linder and Cantrell, 2000): well-designed brand marketing is used to attract customers in order to earn a small premium in price for an efficiently produced commodity (Goodyear, Heinz tomato sauce)		Value Network

(continued)

Number	Configurations + descriptions and origination	Synonymous configurations	Secondary value drivers
VCo2	Channel maximization (Linder and Cantrell, 2000): product is distributed through as many channels as possible to create the broadest distribution possible (Coca Cola, Nestlé)		Value Segment and Value Network
VCo3	Core focused (Authors' interpretation): focus on very core competencies of the company (e.g. customer relationship activities) and outsource all others (e.g. R&D, manufacturing, logistics activities) (Mobile Telco, Private banking)	Unbundling business models (Osterwalder and Pigneur, 2010), linked to orchestrator (Gassmann <i>et al.</i> , 2014)	Value Configuration and Value Network
VCo4	Disintermediation (Johnson, 2010): deliver a product or a service directly to the customer rather than through intermediary channels (Dell)	Manufacture (direct model) (Rappa, 2001), direct to consumer (Weill and Vitale, 2001), direct selling (Gassmann <i>et al.</i> , 2014)	Value Proposition
VCo5	E-mall/mall (Timmers, 1998): a constellation of shops or e-shops, usually a common umbrella having a well-known and trusted brand (eBay, Walmart)	Merchant model (Rappa, 2001), one stop low price shopping (Linder and Cantrell, 2000), shop in shop (Gassmann <i>et al.</i> , 2014), linked to e-commerce (Gassmann <i>et al.</i> , 2014)	Value Proposition
VCo6	E-procurement/procurement (Timmers, 1998): tendering and procurement of goods and services by leveraging suppliers against each other in order to reduce the cost of procurement (Public invitation to tender)		Value Capture
VCo7	E-shop/shop (Timmers, 1998): Customers will pay premium prices for broad selection, better information, and fast delivery conveyed under one roof or web site (ASOS)	Merchant model (Rappa, 2001), one stop, convenient shopping (Linder and Cantrell, 2000), supermarket (Gassmann <i>et al.</i> , 2014), shop in shop (Gassmann <i>et al.</i> , 2014), linked to e-commerce (Gassmann <i>et al.</i> , 2014)	Value Proposition
VCo8	External sales force (Authors' interpretation): direct sale through an aggressive external sales force motivated by pyramid commission structures. Word of mouth is used to reach the customers (Mary Kay, Vorwerk)	Experience selling (Linder and Cantrell, 2000)	Value Segment and Value Network

(continued)

Number	Configurations + descriptions and origination	Synonymous configurations	Secondary value drivers
VCo9	Integrator (Gassmann <i>et al.</i> , 2014): be in command of the bulk of the steps in a given value chain by controlling all resources and capabilities needed to create value (Zara, Ford)	Bundling business models (Osterwalder and Pigneur, 2010)	Value Capture
VCo10	Reverse innovation (Gassmann <i>et al.</i> , 2014): cheap products created within and for emerging markets are also repackaged and resold in developed nations (Nokia, Renault)		Value Proposition
VCo11	Self-service (Gassmann <i>et al.</i> , 2014): customers perform some tasks of the value creation process in exchange for a lower price. Tasks usually add low value for the customers, but generate high costs for the company (Ikea, McDonald's)		Value Segment and Value Capture
VCo12	Trade show (Authors' interpretation): leave marketing or other value chain functions (payment, logistics, ordering) to a 3rd party with a well-known brand name (Alibaba, Exhibition fair)	Third-party market place (Timmers, 1998)	Value Proposition and Value Network
VCo13	Trash to cash (Gassmann <i>et al.</i> , 2014): for the sake of sustainability, used products or materials are reused in another value chain or recycled and sold as new products (H&M)		Value Proposition
VCo14	White label (Gassmann <i>et al.</i> , 2014): a product created by one company is packaged and sold by multiple marketers under varying brand names so that different customer segments can be served (Foxconn)		Value Segment and Value Network
(continued)			

Number	Configurations + descriptions and origination	Synonymous configurations	Secondary value drivers
<i>Configurations linked to Value Network</i>			
VN1	Adaptive (Chesbrough, 2006): create an "ecosystem" by establishing its technologies as the basis for a platform of innovation for the value chain and benefit from the investments of others on the platform (Apple iPhone)	Open business (Gassmann <i>et al.</i> , 2014)	Value Configuration
VN2	Affinity club (Johnson, 2010): the company partners with membership associations and other affinity groups in order to offer a product or other benefits (discounts, points) exclusively to the company's members (MBNA affinity cards, Payback)	Customer loyalty (Gassmann <i>et al.</i> , 2014)	Value Proposition and Value Segment
VN3	Barter (Gassmann <i>et al.</i> , 2014): exchange of products or services among partners with no transfer of money. Partners get a mutual benefit from bartering. Products and services exchanged are often valued differently by the partners themselves (Magnolia hotels, Pay with a Tweet)		Value Segment and Value Capture
VN4	Content creator (Authors' interpretation): provide content (e.g. information, digital products and services) via intermediaries (Bloomberg L.P)	Content provider (Weill and Vitale, 2001), digitalization (Gassmann <i>et al.</i> , 2014)	Value Configuration and Value Proposition
VN5	Crowd funding (Gassmann <i>et al.</i> , 2014): get the financing of an idea (project, product, start up) from the general public. Investors support the underlying idea by providing zero-interest financial resources. Then, they receive special benefits if the critical mass is achieved and the idea is realized (Pebble Technology)		Value Capture and Value Segment
VN6	<i>De facto</i> standard (Linder and Cantrell, 2000): license a proprietary component across industries to establish it as the dominant design (SHARP flatpanels)		Value Proposition and Value Configuration
(continued)			

Table III.				512	EJIM 19,4
Number	Configurations + descriptions and origination	Synonymous configurations	Secondary value drivers		
VN7	Franchising (Gassmann <i>et al.</i> , 2014): the owner (franchisor) of a product, service, brand name or method obtains distribution through licensing to affiliated dealers (franchisees) who gain an advantage from a well-known brand name and franchisor's know-how and support (McDonald's, Starbucks)		Value Configuration and Value Proposition		
VN8	Inside-out (Osterwalder and Pigneur, 2010): sell or license own developed R&D, i.e., intellectual properties or technologies which are not used or underused inside the company (GlaxoSmithKline)	Licensing (Gassmann <i>et al.</i> , 2014), make more of it (Gassmann <i>et al.</i> , 2014)	Value Proposition and Value Configuration		
VN9	Integrated (Chesbrough, 2006): routinely utilize external sources to fuel the business model and unused ideas are allowed to flow outside to others' business models. The company becomes a system integrator of internal and external technologies (Procter & Gamble)		Value Configuration		
VN10	Outside-in (Osterwalder and Pigneur, 2010): gather value (e.g. information) from external sources, such as innovation partners and research communities (Procter & Gamble)	Externally aware (Chesbrough, 2006)	Value Configuration		
<i>Configurations linked to Value Capture</i>					
VCa1	Bait and hook (Osterwalder and Pigneur, 2010): offer customers an inexpensive or free initial product and then have pay more for additional related products (Gillette, HP inkjet)	Razors and blades (Johnson, 2010), razor and blades (Gassmann <i>et al.</i> , 2014), lock-in (without razor) (Gassmann <i>et al.</i> , 2014), razor and blade (Linder and Cantrell, 2000)	Value Proposition and Value Segment		
VCa2	Cell phone (Johnson, 2010): offer different plans in relation to a product featuring a range of prices depending on varying levels of usage (Sprint, Mobile Telco)		Value Proposition and Value Segment		
VCa3	Commission (Afuah and Tucci, 2003): fees levied on transactions based on the size of the transaction (Virtual Mall)		Value Proposition and Value Segment		
(continued)					

Number	Configurations + descriptions and origination	Synonymous configurations	Secondary value drivers
VCa4	E-auction/auction (Timmers, 1998): web-based or traditional auction with traditional bidding mechanisms (eBay)	Merchant model (Rappa, 2001), auction (Gassmann <i>et al.</i> , 2014)	Value Proposition and Value Segment
VCa5	Fractionalization (Johnson, 2010): allow customers to own part of a product, but enjoy many of the benefits of full ownership for a fraction of the price (time-sharing condos, NetJets)	Fractional ownership (Gassmann <i>et al.</i> , 2014)	Value Proposition and Value Segment
VCa6	Freemium (Osterwalder and Pigneur, 2010): customers get basic offerings for free and then pay additional offerings if they desire. The large customer base is subsidized by a small and higher paying one (Skype)	Freemium (Gassmann <i>et al.</i> , 2014)	Value Segment and Value Proposition
VCa7	Freemium upside-down (Osterwalder and Pigneur, 2010): the opposite of the Freemium model, the large customer base subsidizes the small base (Insurance companies)		Value Segment and Value Proposition
VCa8	Instant gratification (Linder and Cantrell, 2000): make money on high-priced instalment credit by providing a split payment option to customers who can't afford the whole payment immediately (Capital One)		Value Proposition and Value Segment
VCa9	Leasing (Johnson, 2010): make products affordable by renting rather than outright selling them (Xerox)		Value Proposition and Value Segment
VCa10	Pay-as-you-go (Johnson, 2010): charge the customer for metered services based on actual usage (PG&E)	Utility model (Rappa, 2001), fee for service (Afuah and Tucci, 2003), pay per use (Gassmann <i>et al.</i> , 2014)	Value Proposition and Value Segment
VCa11	Pay what you want (Gassmann <i>et al.</i> , 2014): customers set the price for a given product or service so that companies can attract a wide customer base. It is crucial that the customers understand the real value of the product or service to be priced (NoiseTrade, Humble Bundle)		Value Proposition and Value Segment
(continued)			

Table III.	513	Business model configurations
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Number	Configurations + descriptions and origination	Synonymous configurations	Secondary value drivers
VCa12	Reverse auction (Johnson, 2010): set a ceiling price for a product and have potential customers bid the price down (Elance.com)		Value Proposition and Value Segment
VCa13	Reverse bait and hook (Johnson, 2010): offer a low-margin product at low or no cost to encourage sales of the initial higher-margin product (Amazon Kindle)		Value Proposition and Value Segment
VCa14	Subscription club (Johnson, 2010): charge the customer a subscription fee (e.g. fixed, daily monthly, or annual) to gain access to a product or service (Costco, Netflix)	Subscription (Gassmann <i>et al.</i> , 2014), flat rate (Gassmann <i>et al.</i> , 2014)	Value Proposition and Value Segment
VCa15	The long tail (Osterwalder and Pigneur, 2010): sell a wide range of products in low quantity (LEGO, iTunes)	Long tail (Gassmann <i>et al.</i> , 2014)	Value Proposition and Value Segment
VCa16	Upfront payment (Authors' interpretation): have the customer pay up front and generate high profits by maintaining low inventory (Amazon.com)	Negative operating cycle (Johnson, 2010), cash machine (Gassmann <i>et al.</i> , 2014)	Value Configuration

# Disruptive Option - Pitch B

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Presentation by Disruptive Option for a mentoring network

# Estamos viviendo el inicio de una nueva de era

## El mundo está cambiando

### Avances impresionantes

- Inteligencia artificial
- Internet de las cosas
- Vehículos autodirigidos
- Nanotecnología
- Energías renovables
- Biotecnología
- Computación cuántica

# Retos para los próximos 10 años

- **Polarización** de la riqueza (erosión de la clase media)
- Amenazas a la **privacidad** y pelea por la **transparencia**
- Pérdida de **confianza** en las instituciones
- **Inestabilidad** geopolítica y nacionalismos
- **Escasez** de agua
- **Seguridad** alimentaria y energética
- Trabajo, carreras y estilo de vida **flexible**
- Los **valores** de la generación Y y Z reemplazan los viejos valores
- Vidas más **longevas**
- **Globalización** y mayor relevancia de la cultura oriental
- **Ubicuidad** de Internet

Fuente: Moffitt Sean, Wikibrands, 2018, *Insights from The 2018 Global Customer Zeitgeist© Study*. [archivo en pdf].  
<http://wiki-brands.com/the-2018-wikibrands-customer-zeitgeist-study-smarter-human-trusted-customized-human-wow-now/>

Para **diseñar el mañana** se requiere aprender un nuevo set de competencias flexibles a distintos entornos y sensibles a distintos actores. Con **metodologías y experiencias de aprendizaje** nos convertiremos en los **agentes de cambio** que transforman el porvenir.



Somos un laboratorio de innovación y desarrollo  
enfocado en **diseñar modelos, metodologías  
y experiencias de aprendizaje** que tengan  
un impacto en el futuro.

Transformamos los retos de nuestros aliados  
en **oportunidades de disrupción.**

# SOLUCIÓN DE APRENDIZAJE

Analizar la cultura, el contexto, los sistemas y los usuarios.



Explorar el reto de forma sistémica

Encontrar el punto medular que dinamiza una propuesta con enfoque de futuro.