Business Plan: Set up documents prepared by a company's management team to summarize its operational and financial objectives for the near future (usually, one to three years) and to show how these objectives will be achieved.

Business Model: Describes the rationale of how an enterprise creates, delivers and captures value in economic and social context. Business model need to be tested and it does not need a product to be tested. One size fits for all may not be true. Business model can differ according to customer segments.

There is a problem with business plan for early stage start-ups. There is a possibility that by the time the document is ready, it might be already irrelevant or after one month in execution, the fundamental assumptions might be proven to be wrong.

Business Model Innovation is about creating value for stakeholders. To steer the business in the face of constant change or to disrupt the market, business strategists are starting to use business model innovation to identify new opportunities. It is a designed approach to help and align leaders on the shifts in customer segments, value propositions, revenue streams and cost structure.

The scale and speed at which innovative business models are transforming industry landscapes is unprecedented. For entrepreneurs, executives, consultants, and academics, it is important to understand the impact of this evolution and methodically address the challenge of developing and implementing a business model innovation.

Business model innovation involves taking a proposed business model or models from ideation to implementation in line with an overall business strategy. Using a design-oriented approach, business model innovators construct observations about their environment and the position of the organisation within that environment, including a description of the current-state business model. Then they develop and test a set of hypotheses using alternative future-state business models and may design working prototypes to test and validate assumptions.

Traditionally, business innovation has focused on product development or on process optimization. Businesses are increasingly recognizing that there are other aspects of the enterprise that offer opportunities for improvement. For example, customer segments (targeting lower middle class than mass market), value propositions (emphasizing service rather than just the physical product), revenue streams (moving customers to subscription models rather than one-time purchases), or cost structures (streamlining the supply chain). Business model analysis enables this kind of innovation by calling out other aspects of the business that may provide opportunities to improve business outcomes.

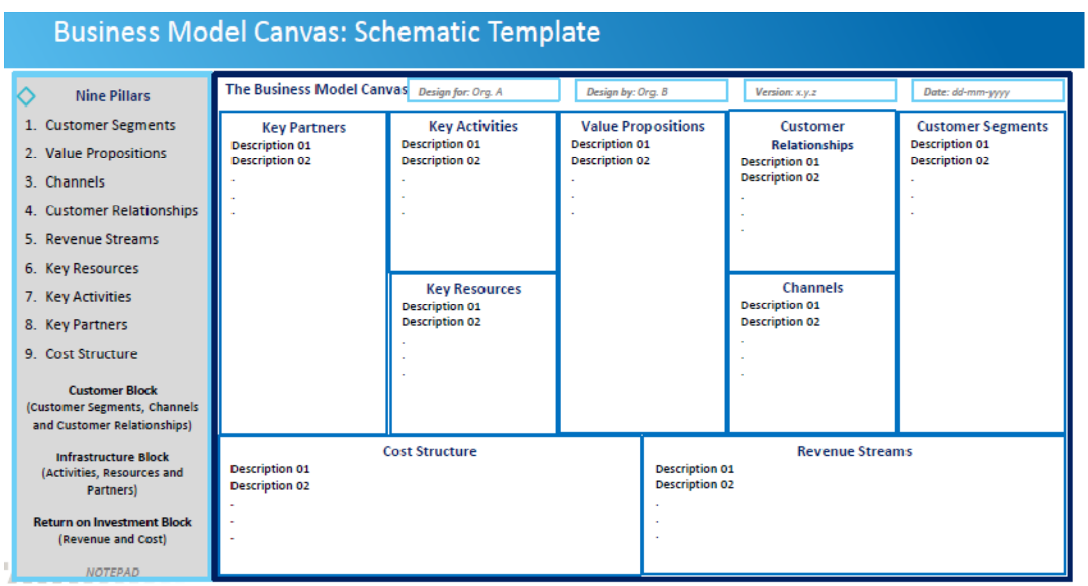
Business model innovators then build prototypes and use test results to validate hypotheses – confirm, iterate or reject the hypotheses. Finally, they select the optimal business model (or models, as required to address different value propositions and customer segments within a single business) and describe them with adequate detail under a framework to support planning, development, and deployment.

While conceiving a new business model is important, implementing it and then continuously adapting it has challenges. In the current environment of constant and rapid change, implementation and adaptation are exactly where successful organizations need to excel.

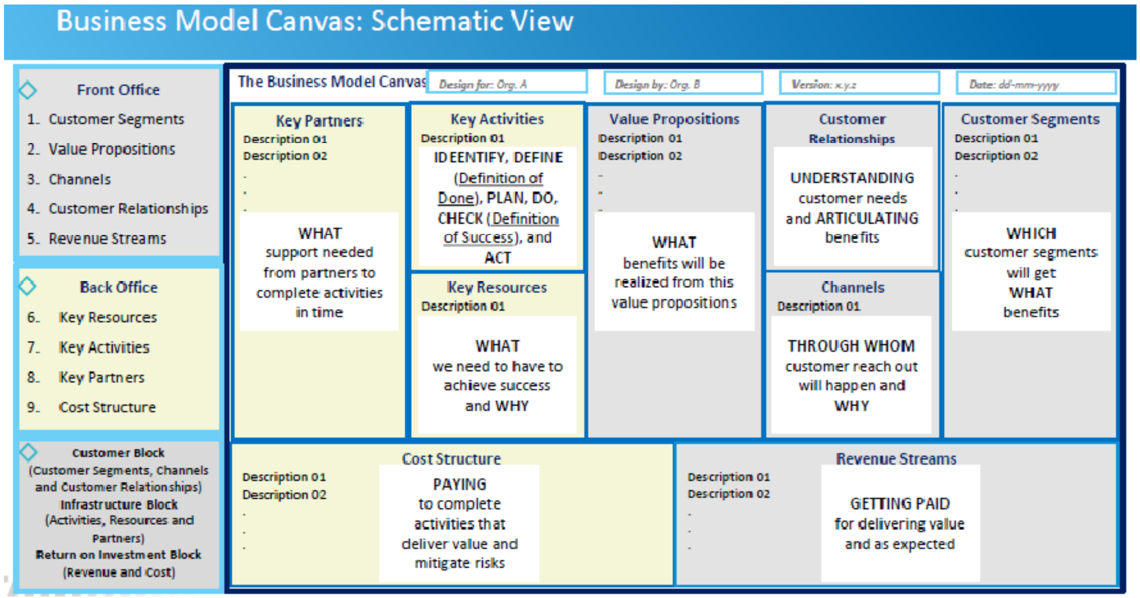
While constructing a business model, organizations should ensure that they design and build all elements of the business model that enables the business to thrive in a state of constant motion.

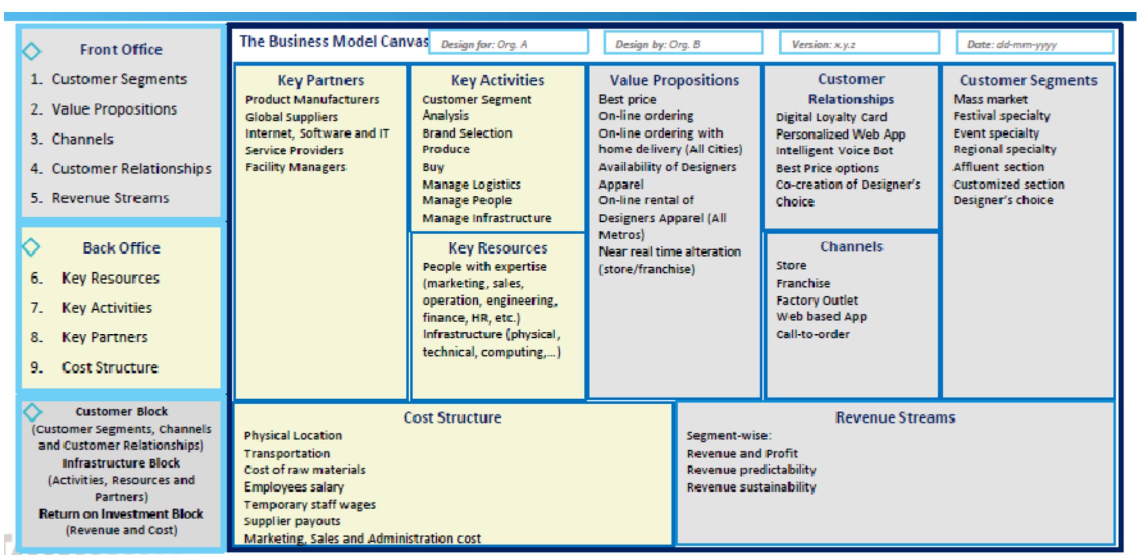
A complete description of a company's business model can be broken down into some basic characteristics:

- **Customer Segments:** The specific group of people that the organization aims to serve.
- **Value Propositions:** A clear description of the offering and how it solves problems or creates value for customers.
- **Channels:** The means to reach customer segments to communicate and to deliver products and services to them.
- **Customer Relationships:** The methods used to maintain relationships with customer segments.
- **Revenue Streams:** The income generation and collection mechanisms in the business.
- **Key Resources:** The most important assets that the company needs to make the business model work.
- **Key Activities:** The most important things that a company must do to make its business model work.
- **Key Partnerships:** The network of suppliers and partners that make the business model work.
- **Cost Structure:** The major costs that need to be incurred to sustain the business model.



All these characteristics are captured in a single diagram called **the business model canvas** (As shown in the previous diagram). It sets the value proposition at the centre of the business model as the primary focus area. The customer building blocks (customer segments, channels and relationships) can be found to the right of the value proposition and infrastructure building blocks (activities, resources and partners) to the left. The finance-based building blocks (revenue and cost structure) can be traced on the lower block of the diagram.





Venture Capital is a private or institutional investment made into early-stage / start-up companies (new ventures). It is the money invested in businesses that are small or exist only as an initiative but have huge potential to grow. The people who invest this money are called Venture Capitalists. The venture capital investment is made when a venture capitalist buys shares (stake in equity rather than giving loan) of such a company and becomes a financial partner in the business. Venture Capital investment is also referred to **risk capital**. The risk includes the possibility of losing the money if the venture doesn't succeed and takes medium to long term period for the investments to deliver certain results. Venture Capital typically comes from institutional investors and high net worth individuals and is pooled together by dedicated investment firms. Venture Capital is the most suitable option for funding initiatives (entrepreneur) / companies who need large up-front capital investment and do not have adequate alternatives. Software and other intellectual property are generally the most common cases whose value is unproven. Therefore, Venture Capital funding is most widespread in the fast-growing technology and biotechnology fields. An **Angel Investor** (also known as a private investor, seed investor or angel funder) is a high net worth individual who provides financial backing for early-stage start-ups, small start-ups or entrepreneurs, typically in exchange for ownership equity in the company.

For an organization, in today's competitive world, the ability to innovate has become vital not just for driving business growth but also to stay relevant for changing customer needs. Organizations collaborating with internal and external stakeholders help position the Organization as an innovation–driven partner, customer or employer.

Open innovation is a business model that helps organization to connect with external sources with the aim to produce the most innovative services, and products by combining internal and external ideas, processes, and technologies.

Co-innovation is a collaborative innovation partnering with customers, start-up, venture capital, academia for creating next generation technology and domain solutions spread. As the name implies, it involves two (or more) entities that purposively manage mutual knowledge flows across their organizational boundaries through joint invention and commercialization activities.

Pre-requisites:

- Innovation Labs
- Innovation Challenge
- Joint Venture and Venture Capital
- Incubators & Accelerator

Benefits for corporate

- Revitalizing corporate culture:
    - Start-ups helps create openness to innovation among employees as they become exposed to agile teams and lean approaches
    - Startups help to create awareness of future trends and the potential of new technologies

- Innovating big brands:
    - Startups modifies the external perception of corporate brands among their customers, partners and future employees
- Solving business problems:
    - Start-ups help develop new innovative solutions and products quicker
    - Start-ups bring new technologies, business models and talent to the table
- Expanding into future markets:
    - Start-ups can be an important conduit to expand business operations into new markets
    - Start-ups will have the capabilities and agility to compete in newly emerging sectors
- Customer focus:
    - Start-ups can adapt and customize solutions as per customer need very quickly, which helps corporate to serve its customers better

Benefits for Start-ups

- Revenues and independence from external capital:
    - For start-ups revenue often is a key incentive. Corporate can invest considerable amounts of money for products
- Success story for future sales:
    - Corporate customers significantly enhance the reputation of start-ups and serve as reference cases for future sales
- Expand market in foreign countries:
    - Offers the possibility to expand into other countries by partnering with the corporate's local subsidiaries
- Attractive retail sales channel:
    - Corporate infrastructure and its existing clients, allows faster scaling of the start-up business model than the start-up could achieve on its own
- Access to proprietary assets:
    - Partnering with a corporate can enable a start-up to utilize corporate assets and create new business opportunities
- Market knowledge and mentoring:
    - Corporate with its vast experience can mentor start-up

Questions:

1. Explain the justification of Business Model Innovation.
2. Explain the Business Model Canvas along with its pillars.
3. Explain the concept of Unicorn in Business. Give two examples.
4. Based on your understanding, develop the Business Model Canvas for one of the Indian Unicorn listed in your lesson.
5. What is the difference between co-innovation and open innovation?
6. What are benefits using co-innovation & open innovation models for different entities?
7. What types of IP are generated in the co-innovation & open innovation projects?
8. Explain different co innovation & open innovation models?