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Do you want to:

*Grasp new business opportunities in the field of productive, circular and sharing economies?
Address environmental challenges by selling a green product or service?*

Create and launch an innovative business model that creates environmental and social value?

Manage a leading company active in the green sector and create green jobs in your country?

This book is made for you:

It will become your essential companion for your green entrepreneur journey.

Please turn the page and embark on the 'green adventure'!

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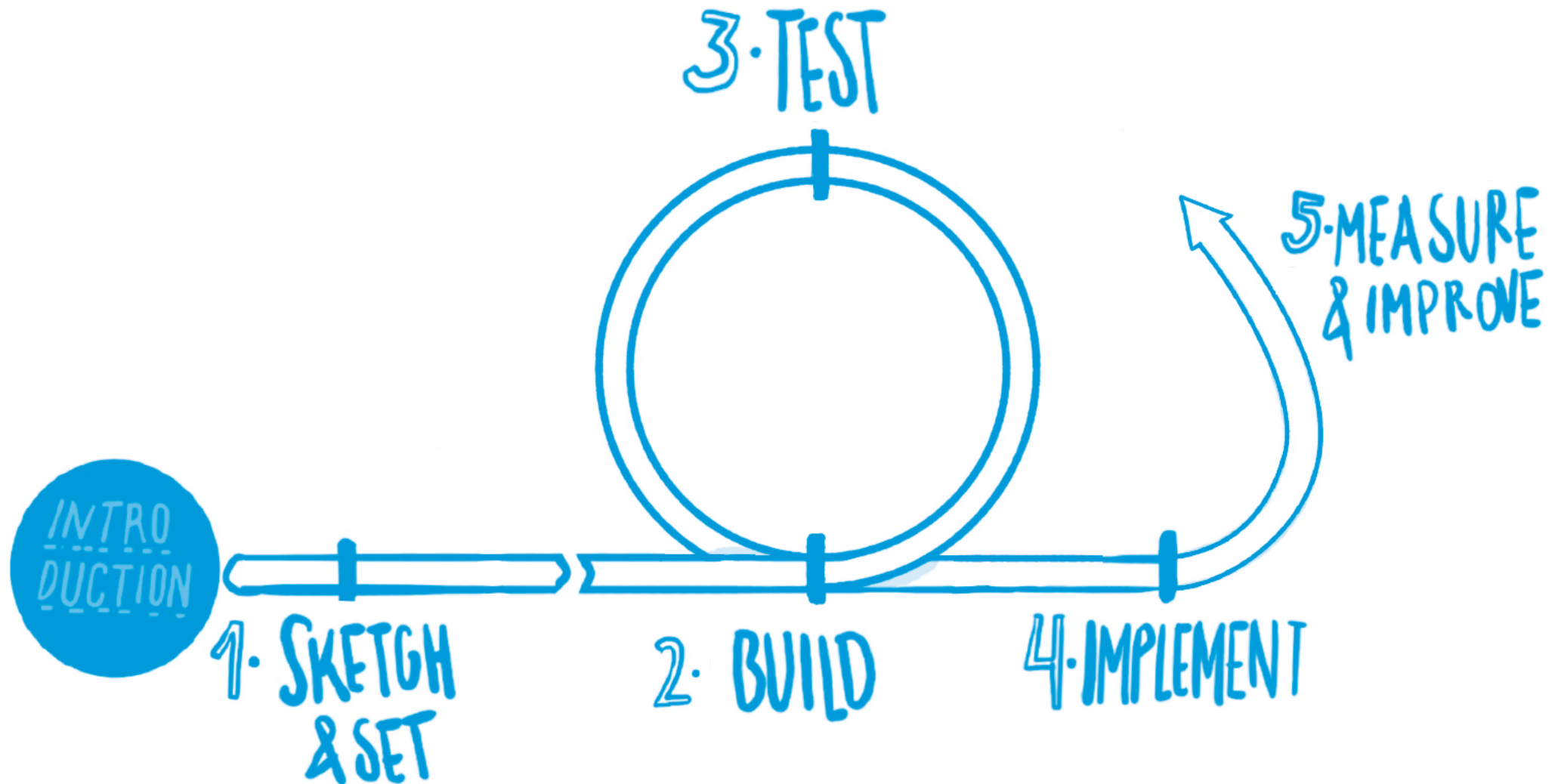
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Introduction

- 0.1 What does it mean to be a green entrepreneur? What are the opportunities?
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We start this journey by defining some basic concepts about green entrepreneurship and highlighting the great opportunities available for green entrepreneurs. The introduction also explains what makes this document special and how it is organised.

You are here!



0.1

What does it mean to be a green entrepreneur? What are the opportunities?

New economic models, more respectful of social welfare and environmentally friendly, are emerging throughout the world. Paradoxically, whereas economic activities are often considered as counter-productive in terms of environmental impacts, green entrepreneurship can be the solution to tackle global environmental and social issues, creating jobs and changing the production and consumption patterns of our society.

In the MENA countries, markets for green products and services are emerging. They represent a big ocean of opportunities for any entrepreneur attuned to the needs of consumers and having capabilities for anticipation. An advantageous position can be quickly reached for any entrepreneur who is able to differentiate his/her offer through green added value.

Green entrepreneurship can be defined as a way of 'developing business solutions to environmental challenges that are economically viable and socially empowering'. In other words, a green entrepreneur will grasp business opportunities that arise in the context of global and local environmental challenges.

A green entrepreneur considers environmental, economic and social axes in core businesses, provides innovative solutions to the way goods and services are produced and consumed, and proposes a business model which contributes to the greening of the economy.

An environmental challenge is an environmental issue that may affect social welfare and economic sustainability, created in most cases because of human activities. Green entrepreneurial projects are differentiated because they target a specific environmental issue. For example, an entrepreneur may address urban pollution by working at different levels (process, product and system) in order to reduce the production and use of cars (e.g. implementing a car-sharing system). The identification of such challenges is not always easy and depends on the context of each country, but be sure that there are many opportunities out there! Once the environmental challenges are identified, the potential for doing business is enormous.

Finding business solutions for addressing environmental challenges will push green entrepreneurs to think differently, to innovate. When successful, the green entrepreneur will be greatly rewarded for his/her efforts, since eco-innovation brings added value to the business activity, by:

1. Accessing new and expanding markets.
2. Increasing profitability along the value chain.
3. Staying ahead of standards and regulations.
4. Attracting investments.
5. Increasing productivity and technical capacity.

Environmental challenges out there can be the seed to a green business. It is the moment, it is the time of green entrepreneurs!

A green entrepreneur is different from a conventional one. Be aware of that and take advantage of it! Green entrepreneurs will adopt a global view of his/ her project by:

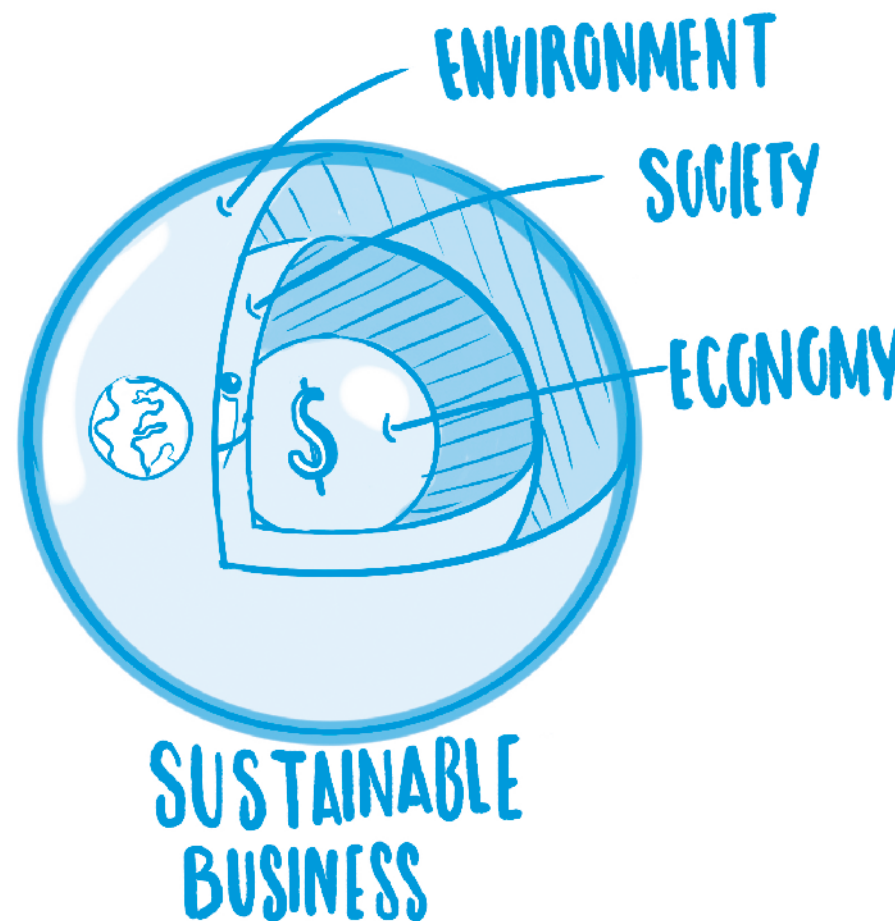
1. *considering three interdependent dimensions: environment, economy and society.*
2. *delivering environmental value.*
3. *being active with stakeholders.*

The green entrepreneur's fundamental goal revolves around maximising the environmental value created, through a socially empowering project, and over a viable and effective business model.

Considering three interdependent dimensions: environment, economy and society

Green entrepreneurs may realise that any business activity will have effects on the environment and society due to the use of resources, generation of waste and provision of goods and services. Accordingly, they will develop their business considering three dimensions: economy, environment and society. This has a clear consequence: whatever the business activity is, it will have an impact on society and the environment, and in return, anything that happens in the social and environmental spheres will impact on the business activity. That interdependence is a given fact for any business. If green entrepreneurs consider business design and planning to the full, they can take advantage of it and turn it into an opportunity!

Considering the three dimensions –economy, environment and society– will give a business the best chance to achieve success in the long term!



Delivering environmental value

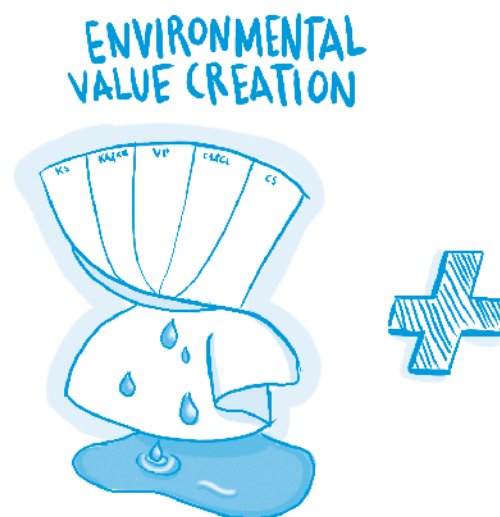
To give the best chances for a green product or service to be sold, it is important that it satisfies the needs of the targeted customers. The added value of green entrepreneurs, compared to other entrepreneurs, is that the business satisfies customers' needs and, in addition, addresses environmental challenges in an efficient way. This is a *great opportunity to position the green entrepreneurs' brands in the market while reducing costs and making an efficient use of resources.*

Two complementary orientations may be followed by a green entrepreneur to help him/her deliver environmental value:

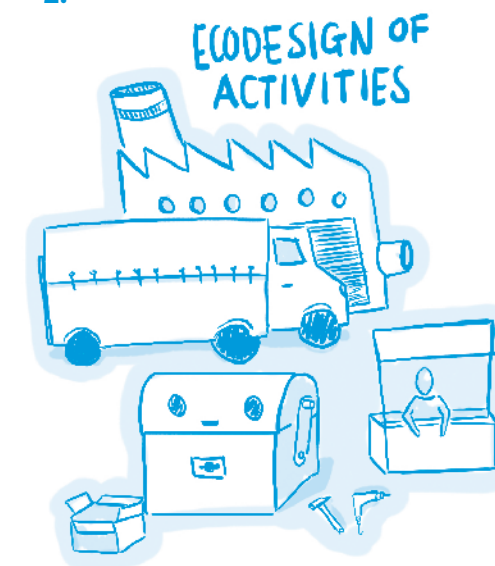
1. Turning environmental challenges into business opportunities to create environmental value.
2. Eco-designing a product/service to reduce the environmental impacts created.

Don't forget: a green business is about business above all! Beyond delivering environmental value, green entrepreneurs have to satisfy market needs.

1.



2.



Green entrepreneurs are characterised by the creation of environmental value and the minimisation of environmental impacts thanks to the ecodesign of their activities

Turning environmental challenges into business opportunities

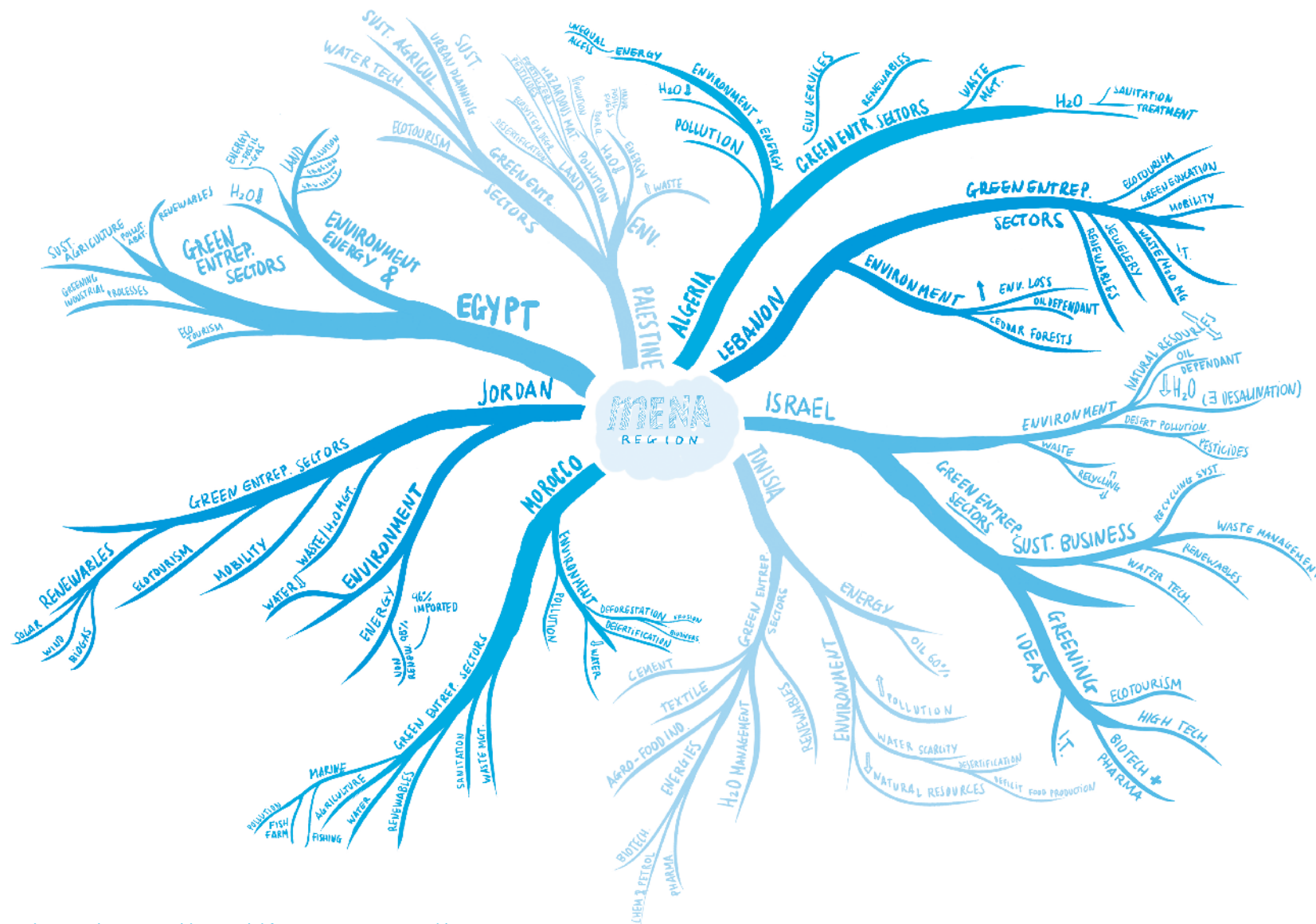
Green entrepreneurs have the opportunity to turn environmental challenges into an economically sound business. This requires them to link these challenges with potential needs and market demands.

The next table presents a few major environmental challenges that can be found in the Middle East and North Africa and examples of potential business activities. Despite the diversity of the countries in the region, they are facing similar environmental challenges, which provide potential green entrepreneurs with many opportunities. In turn, the figure shows, country by country, what some of the main challenges and opportunities are.

This requires them to link these challenges with potential needs and market demands

Major environmental challenges	A few ideas on potential business activities
Energy imports dependency, limited access to energy in remote areas.	<ul style="list-style-type: none"> –Solar energy products and services. –Energy efficiency consultancy or appliances to reduce energy bills.
High energy consumption for heating or cooling in buildings.	<ul style="list-style-type: none"> –New building materials and architecture. –High efficiency heaters and air coolers.
Water and land pollution from textile industry.	<ul style="list-style-type: none"> –Innovative green dye products.
Threats on biodiversity and use of resources in general.	<ul style="list-style-type: none"> –Ecotourism activities (tour operators, eco-lodges).
Urban contamination and degradation of coastal environments.	<ul style="list-style-type: none"> –Urban waste management activities.
Soil pollution and degradation due to agricultural activities.	<ul style="list-style-type: none"> –Organic (ecological) farming activities (production, distribution).
Transportation pollution in cities.	<ul style="list-style-type: none"> –Car-sharing services and innovative public transportation services.
Growing landfill.	<ul style="list-style-type: none"> –Waste collection and recycling to provide new products and materials. –Eco-design advisory services.
Food waste along the supply chain.	<ul style="list-style-type: none"> –New and efficient supply chains. –Food waste recycling into resources (compost, energy...).

MENA Region



Environmental challenges and economic sectors with potential for green entrepreneurship in the MENA region countries.

Eco-designing a product/service

Recent surveys have shown that eco-design has a positive effect on the profitability of a business.

A green entrepreneur is in the position to eco-design his/her products and/or service in order to improve its environmental performance while reducing costs and making an efficient use of resources. When an entrepreneur takes into account the environmental impacts of any product or service from the very early stages of its design, throughout its life cycle, he is eco-designing. Thus, he considers not only product assembly but also the materials, packaging, distribution, use and final disposal of products.

Besides the benefits of eco-design as a means to innovate, it will also provide new *opportunities to communicate and sell better* products and services. Thanks to eco-labelling and green marketing, customers will be aware of the green characteristics of products and can make their purchase choice based on that. This can definitely help green entrepreneurs to sell their products and services in specific markets.

Besides, many *eco-design strategies* can also have a tremendous effect on the overall efficiency of product manufacturing and delivering, hence reducing production costs and the price for the final user, while having a higher positive environmental effect. As an example, let's imagine the truck delivery of bulky

chairs, each of them being stored in a cardboard box. If the packaging of the chairs is improved, for example, by removing cardboard boxes and stacking them one on top of the other, the truck could transport 30% chairs more. With this strategy, transportation costs and air pollution could be reduced.

Many eco-design strategies can have a tremendous effect on the overall efficiency of product manufacturing and delivering, hence reducing production costs and environmental impacts.

Since eco-design is about adopting a comprehensive view of the product life cycle, it therefore leads to consider *new innovative business approaches* aimed at reducing the overall impact of production and consumption patterns. Among them, the *circular and collaborative economy* is gaining importance and new business models are emerging from this new paradigm of the 'sharing economy'. This consists of moving from an economy of ownership to one of service functionality. For instance, a green entrepreneur may create a truck tyres rental business (instead of selling tyres), or an engineering company who will be paid in proportion to the real energy savings thanks to its consultancy services (instead of selling efficient appliances).



Tips for trainers

You should make green entrepreneurs aware of the need to think about the eco-design of products and services. Trading a green product/service is good, doing it cleanly is even better!

In addition, it could be helpful if they identify the eco-labels related to their product or service in the countries in which they operate. Then, they can check the requirements to obtain them, and assess the possibilities to get those eco-labels to foster sales.

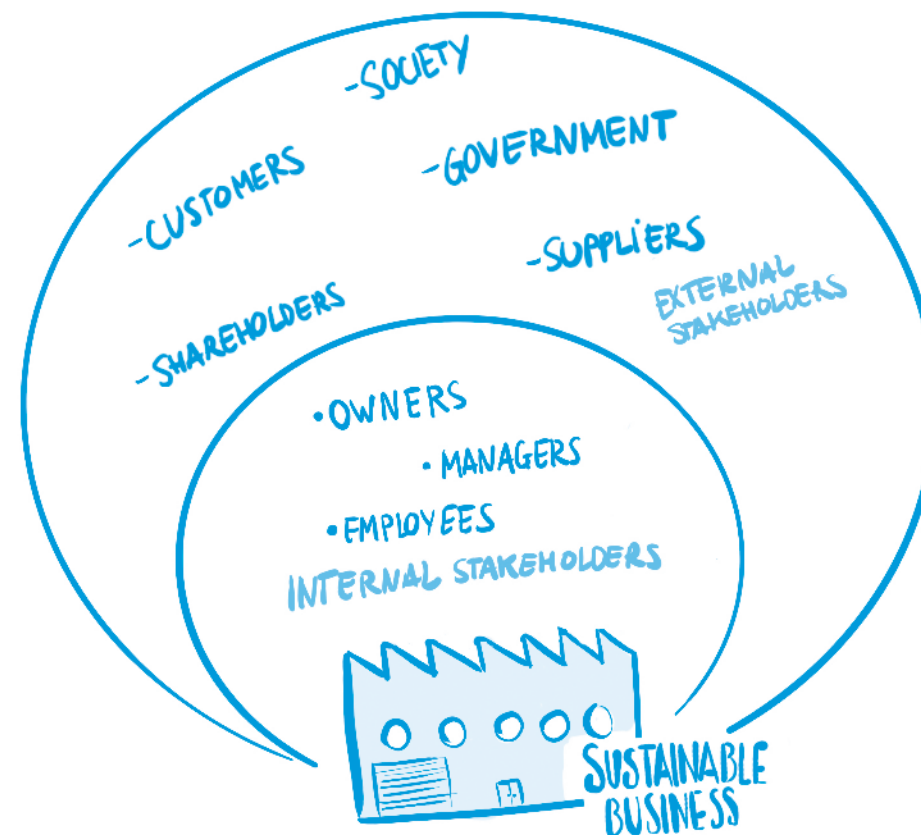
Being active with stakeholders

As any other business, a green business activity will not only affect its customers but all stakeholders, that is to say, the people and organisations that affect or are affected by the business activities.

For green entrepreneurs, stakeholders are important since they receive (environmental, social) value from the business that is being created. For this reason, it may be of interest to involve them in the business so they can contribute to its success.

In addition, the relationships between companies and their stakeholders are changing progressively. Customers, as well as some other stakeholders, can be placed at the core of the co-creation process with the company; they can collaborate hand in hand. For example, a new company that collects cooking oil may develop together with the restaurants (its customers) the best storage tank that will be the most convenient for both (in terms of capacity, weight, storage area...) as well as collection rates.

Involving stakeholders, and particularly customers, in the business project development is a way to ensure good acceptance of its product/service and anticipate barriers that may hinder its progression.



Some examples of key stakeholders (both internal and external).

0.2 Why is this handbook special?

This handbook describes a straightforward methodology adapted to the context of the MENA region to guide green entrepreneurs through their entrepreneurial journey, from defining the idea to the commercialisation of products and services. The concepts are addressed in a visual way, making the reader experience more enjoyable and easier, and it is complemented by a workbook with practical exercises.

Our methodological approach focuses on the specificities of green entrepreneurship, combining the lean start-up approach, the green business canvas and the consideration of innovation as a means to success.

1. The lean start-up approach as a global framework

A common approach followed by many entrepreneurs is to develop ideas based on assumptions up to getting the final product and putting it into the market. Many times, this leads to a failure of the project due to a misunderstanding of the market needs. As a result, lots of time and money have been wasted while developing the business idea without validating assumptions.

The lean start-up approach tries to prevent this situation by developing a business offer step by step, considering the feedback of stakeholders (including potential customers) from the very beginning of the idea. Therefore, this methodology follows a 'trial and error' path until the product is ready to be marketed widely. This approach prevents the spending of many resources, speeds up revenues, and can ensure rapid economic success.

2. The green business canvas at the core

A business model canvas is a synthetic way to design and define a business model, including essential aspects such as what is the value proposition, who the customers and stakeholders are or how the business works (activities, resources, customer channels, costs and revenues...). This handbook adapts the business model canvas designed by Alex Osterwalder and Yves Pigneur to take into account the specificities of green entrepreneurs, helping them to develop green business ideas in a systematic and simple way.

3. Innovation at every step of the entrepreneur's journey

From a business point of view, innovation provides entrepreneurs with a competitive advantage by differentiating them through a unique value proposition and/or its implementation. In general, each step of business design should bear in mind that innovation is a mind-set or a lens through which every element of a business can foster value creation. Green entrepreneurs take innovation a step further by creating value for customers, stakeholders and the common good. In short, if sustainability is the green entrepreneurs' end, innovation is their means.

'Innovation is the specific instrument of entrepreneurship... the act that endows resources with a new capacity to create wealth.' Peter Drucker

Three forms of innovation can be distinguished, which may contribute to change entire economic sectors in a progressive way:

1. Process innovation

It concerns any innovation that occurs in production processes, normally resulting

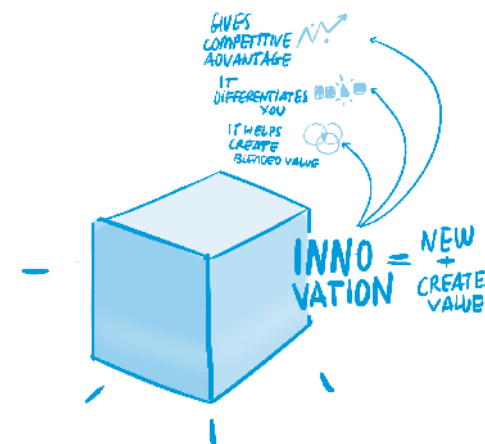
in an increase in production efficiency and not necessarily affecting product characteristics. Cleaner production processes are examples of process innovations (for example, efficient car-manufacturing in order to reduce material consumption and waste during production).

2. Product innovation

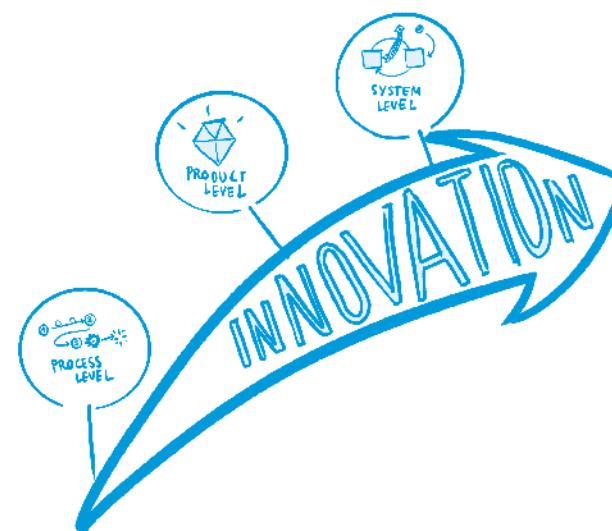
It is about changes in the conception and characteristics of products and services. For example, the design for disassembly of cars, so their components can be recycled and reused, or the design of a new electric car.

3. System innovation

It is about changes at a broader level, including innovations at business model level or in consumption patterns (attitudes, behaviour, etc.). An example of system innovation could be the servitisation of some business models (changing from offering products to delivering services). An example could be the development of a car/bicycle sharing system, which implies changes in the way the value proposition (mobility) is offered and how customers behave and interact with the business.



The benefits of innovation.

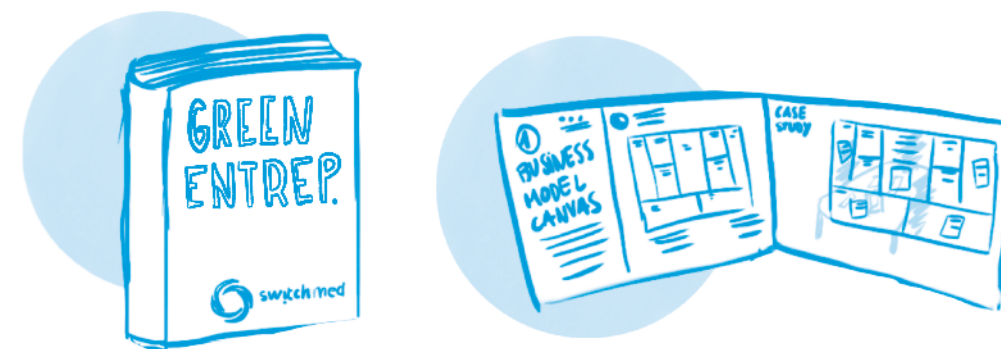


Three types of innovation: product level, process level and system level.

0.3 How is the green entrepreneur journey organised?

This handbook will help green entrepreneurs to move from a business idea to a value-generating, market-fit solution

Green entrepreneurs embark on a journey of discovery and innovation the moment a business idea pops up in their minds. To make this journey easier, the handbook comes with a complementary document: *the green entrepreneur workbook*. The workbook will serve as the backbone of our project, and it will be useful to implement all the concepts contained in the handbook (it contains three illustrative business case studies).



Tips for trainers

The handbook will be useful for green entrepreneurs to review concepts. It would be great if you could recommend them to read it while they work with the workbook.

In addition, you will find an illustrative schedule of the green entrepreneurship training program at the end of this handbook. It includes indications on the organisation of the training activities, such as the time necessary to carry out each exercise of the workbook and also on the time necessary by green entrepreneurs to do field work and develop the exercises on their own. We suggest 5 intensive face-to-face training sessions over a period of 3 months. Of course, this schedule may be adapted to your training means and needs as a local trainer.

The five steps

The green entrepreneur journey is organised around five steps, as shown in the figure. Now, it is time to move into the position of green entrepreneurs and set off on the journey...!

Step 1. Sketch & set

Along this step, we sketch the idea and reflect on the reasons behind asking ourselves 'Why' we want to make it happen. It will help us understand the context, drivers and motivations behind it, and set our business objectives accordingly.

Step 2. Build

In this step, we design our project by means of the green business canvas, which allows us to create the value proposition ('What are we offering?') with customers and stakeholders ('Who participates in the project?'), define the channels and relationships with stakeholders, the key activities and resources to be developed and the structure of costs and revenues ('How are we going to do it?').

Step 3. Test

Every prototype that comes off of the design

canvas has to be tested in the market in order to validate the hypotheses it is based on. Seeking to gauge assumptions separately, we will adopt a progressive approach to testing in increasingly real market conditions.

Steps 2 and 3 are interrelated, since whatever test is made is going to contribute to the building of the project.

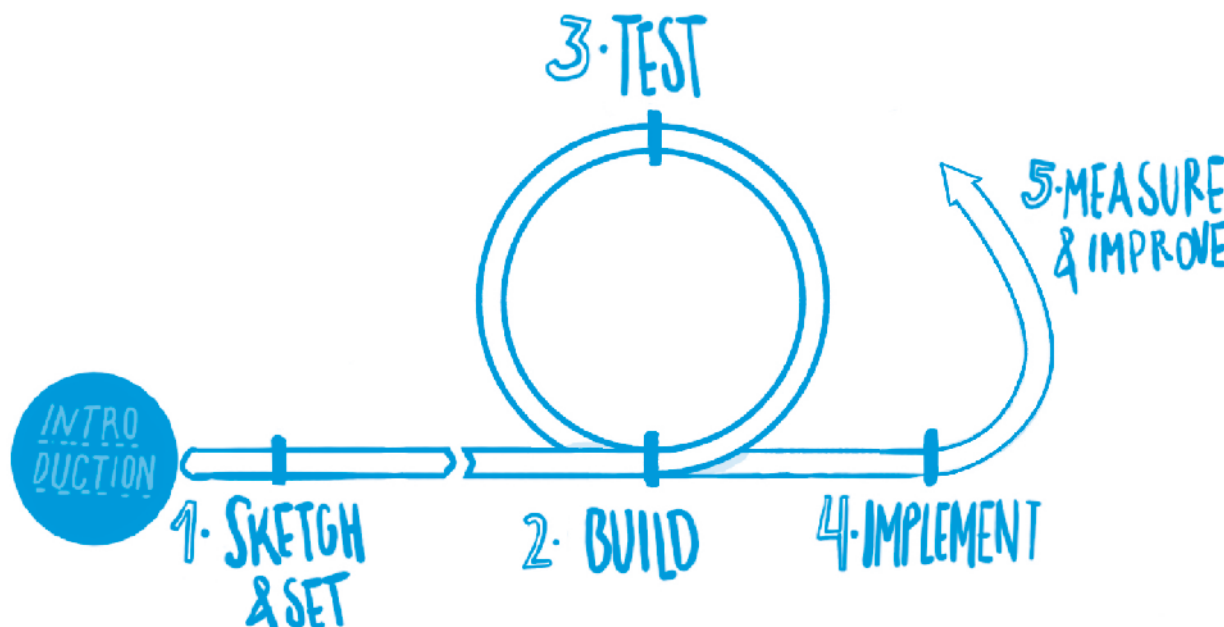
Step 4. Implement

Once the model is market-validated, the time comes to plan the functioning and development of the project, by projecting

into the future and making estimations of sales, costs and other resources needed (financial plan). Also, it is at this stage that we select the most suitable legal form, lay out a roadmap for the next few years, and prepare for management and execution (management & operational plan to go into the market).

Step 5. Measure & improve

Lastly, as we run our business (operations), we put in place a continuous improvement system by measuring impact in initial objectives, looking for areas of improvement.



The green entrepreneur journey in five steps.



Tips for trainers

The core of the handbook has for objective to validate a business model on real data and the validation of hypotheses. This is an approach that absolutely must precede the elaboration of a business plan, which should come when dealing with step 4.

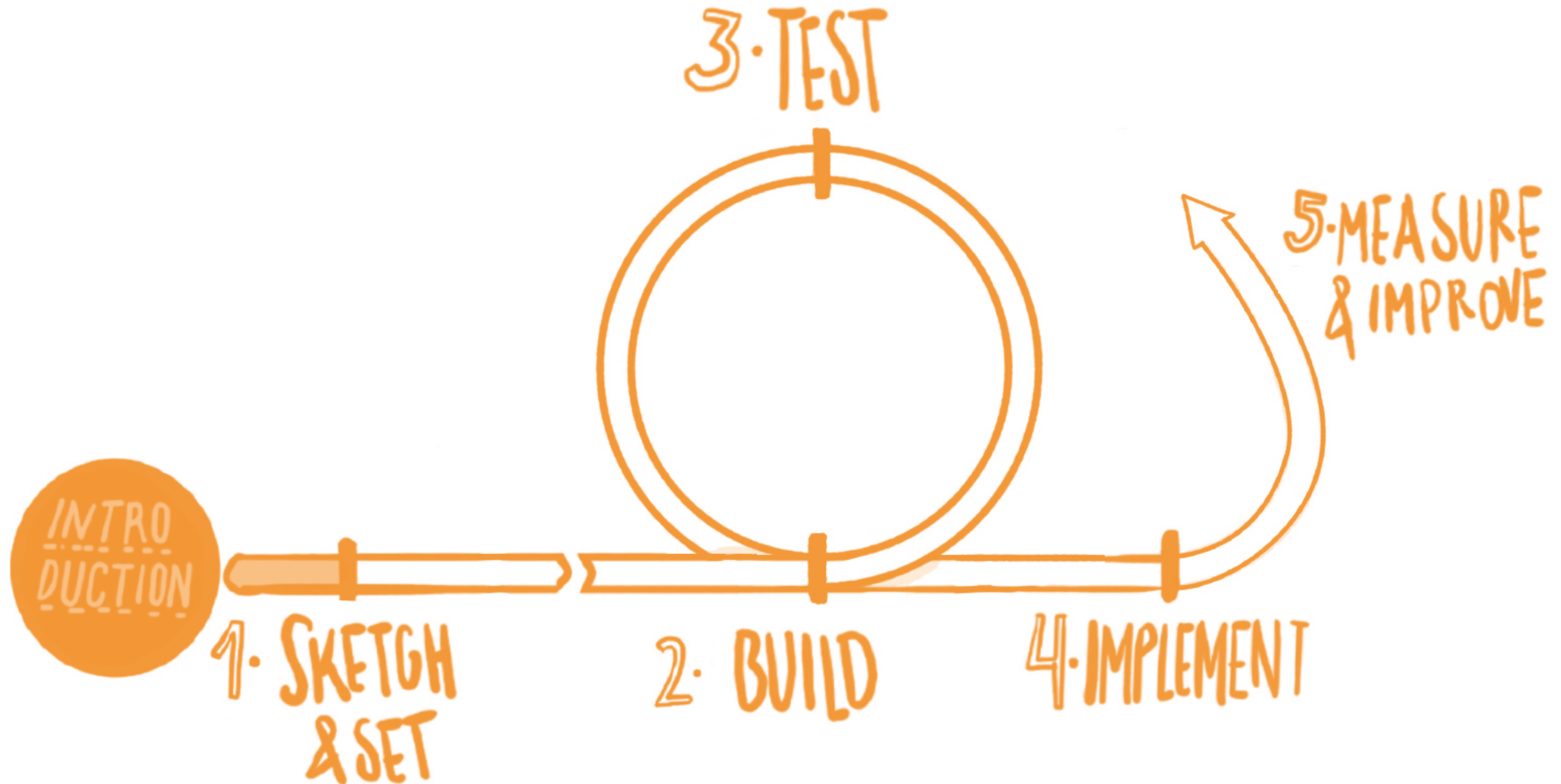
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Sketch and Set

- 1.1 Business idea
- 1.2 Context
- 1.3 Objectives

We begin our entrepreneurial venture by sketching our initial business idea on a green business canvas, which will help us to shape it and prepare the work ahead on the road to a viable green business. Then, we reflect on the context: we analyse the system boundaries and forces of change that affect our venture; as well as the personal and professional motivations, environmental and social challenges, and customers' needs that push it to exist. Lastly, we set adequate and measurable objectives and define our mission and vision.

You are here!



1.1 Business idea

Shaping our initial idea into the green business canvas

Summary

Every entrepreneur, by definition, has a business idea in mind. At this very first step of the methodology we shape it by responding to a few simple questions structured around the backbone of what will become the green business canvas in the chapters to follow. The purpose of this exercise is therefore to understand the different components of the idea and prepare the work ahead.

Description

To sketch the business idea, and prepare the work ahead, we only need to answer the set of questions posed in the workbook, namely:

1. What is your initial business idea?
2. What are you going to offer (product, service)?
3. Who may be your customers? And your partners?



Tips for green entrepreneurs

Be ready to changing your initial idea!

Entrepreneurs normally start the entrepreneurship journey with an idea, and try to develop it as soon as possible. However, we recommend you stop for a while and ask yourself: Why do you want to set up that business? What are the drivers behind it? Is there a better way to achieve your goals? During this questioning process, you may come up with alternative ideas (new products or services, for example). Be open-minded and, if necessary, change your initial idea!



Tips for trainers

In general, entrepreneurs tend to spend large amounts of time doing this exercise, either because it is the first time they face a canvas of this nature, or simply they want to be too thorough, unaware that this is an introductory step. To counter that, the trainer could assign this exercise as pre-session homework, so that participants can reflect on their idea and its components in depth, and also carry out some necessary market and customer research.

Expected results

Here we expect to obtain a description of the initial business idea, characterized around the products and/or services that the entrepreneur wants to offer, the potential customers targeted and the partners that may participate in the business.

Go to the exercise
1. Sketch your business idea
(Workbook, p.12)



Metaphor box

Throughout the handbook, a cooking metaphor will be used to illustrate the different steps and concepts of the methodology. You will easily recognise it like this one. Here is where it starts!

In a cooking analogy, presenting our initial business idea, would be like preparing a meal you are going to serve to some friends and asking yourself: what meal am I going to serve? Who will be attending? Who will help me?

1.2 Context

The local, regional and global context and the problems and needs behind the idea: the project in context

Like everything else, businesses are part of a system, with forces of change that affect them.

Summary

No project exists in isolation, everything is connected, part of an ecosystem of intertwined players and substrates, part of the Earth's system. The context in which we operate is ruled by a series of Political, Economic, Social, Technological, Environmental and Legal (PESTEL) aspects that affect us directly or indirectly, and which we need to consider in order to thrive in it. Within this context, there is a series of (environmental, social) problems and (customer) needs that we want to address by means of a business.

Expected Results

Here we expect to describe the factors imposed to our business, the forces of change that affect it, as well as the drivers (problems and needs) that push us to develop the idea. This will help us understand the context and foresee how it can affect us and how we can take advantage of it.

Go to the exercise
 2. Identify problems
 and needs
 (Workbook, pp.14–15)

Go to the exercise
 3. Understand the context
 (Workbook, p.20)

Identify the problems and needs

22

Understanding the reasons that drive the project and its founders is a necessary pre-requisite for any business to establish a sense of direction and purpose. We differentiate three types of drivers:

- 1. Personal and professional motivations** that have pushed the founders to undertake the project.
- 2. Environmental & social challenges** the project will contribute to solving or tackling. They are derived from the context, and need to be aligned with the founders' values as green entrepreneurs.
- 3. Market needs** that will materialise into customers willing to buy our products or services hence constituting the key economic engine that sustains the business.

Green businesses are set up to address a mix of personal and professional motivations, environmental and social challenges, and customers' needs.



Drivers behind a business idea

Personal and professional motivations

23 By looking deep into ourselves, we can think through and learn about our true nature as green entrepreneurs, our goals (personal and professional alike) with respect to this particular project, our own definition of success, and the level of commitment we are willing to embrace. In concrete terms, these are the elements under personal evaluation:

Nature: characteristics as an entrepreneur concerning, especially, risk tolerance; self-definition of green entrepreneur.

Goals and success: personal motivations and professional aspirations in relation to the project; self-definition of success (linked to the previous motives). Economic success could be pointed here without complex.

Commitment: availability, dedication and commitment towards the project and the team.

Once the individual inspection has been conducted, it must be shared openly and honestly with the rest of the team.

Aligned personal and professional goals, complementarity, balanced levels of commitment, and honesty and transparency, are all ingredients that contribute to the success of the project.



Tips for trainers

Amongst the whole range of drivers, the motivation of the entrepreneur shall be considered essential for the success of the project.



Tips for green entrepreneurs

Know yourself... and your limits!

Prior to embarking on the ambitious project of creating a business, you must know yourselves well: skills possessed and needed, abilities, desired work-life balance, the way we work, our relationships with others, etc. Those elements are extremely important when elaborating any business project, since they will help us anticipate the risks, failure or difficulties. According to that diagnosis, we may find it relevant to partner with complementary people.



Tips for green entrepreneurs

Can I launch and run my business alone?

Depending on your aspirations, you may prefer to run the business on your own. Although this may be advantageous for some activities (hand craft, consultant...), other more complex ones will require more resources, including human talent. In any case, it is always advisable to be surrounded by people who can take an objective look at the project. Also, working in teams and distributing work according to capacities, allows members to focus on their specialties, dramatically improving results as a consequence.

Environmental & social challenges

As green entrepreneurs, we should be very aware of the environmental and social challenges we are going to address through our business. Moreover, it is highly advisable to support all these claims (existence and relevance of challenges) with data and/or evidence, the likes of statistics, scientific studies, peer-reviewed articles, visual proofs (pictures or videos), etc. Needless to say, the more reliable the sources, the better.

Environmental challenges lie at the core of a green business, which tackles them by empowering local communities from a social and economic point of view.



Tips for trainers

Environmental & social challenges can sometimes be too wide or complex to tackle directly, so in order to narrow them down to a manageable scale where the business can have a meaningful impact, the entrepreneur needs to search for the actual causes behind them, looking for the root ones or staying at a level where the influence will be greater. In practice, this is achieved by repeatedly asking why or, to use a cooking analogy, peeling an onion, layer after layer.

Market needs

As explained before, in the process of entrepreneurship, it is at the observation stage that the outside origins of the project take root, meaning not only the environmental and social challenges that demand action, but also the unfulfilled needs of potential customers. They represent a market opportunity the entrepreneur may discover and address. If the contribution to a healthier environment and a fairer society make up the mission of our business, customers are the gears that make its economic engine turn.

At this stage, you may gather preliminary information about markets trends and needs, and if possible, the needs expressed by your prospects. Do not carry out a comprehensive market survey; a more thorough analysis will be carried out later on.

The entrepreneur needs to discover and address markets needs in order to satisfy them and run the business.



Tips for green entrepreneurs *Be a green entrepreneur*

Whatever our deepest motivations for being a green entrepreneur are (creating your own job, addressing a social issue, generating a new community dynamics), your primary goal is to create economic value by addressing an environmental issue.

Metaphor box

So what drives us to cook dinner at home for friends? To choose a particular recipe? As with a business, we can distinguish three types of factors:

Personal motivations: all related to friendship building and sharing quality time with loved ones.

Needs of customers (guests in this case): at this level, we make sure we cater to the customs, habits, cultural & religious background and personal tastes of our guests when it comes to food.

Environmental and social challenges: within the parameters set by our guests, we have certain degrees of freedom to select the ingredients and recipes we want. By picking, say, ecological, local & fair-trade products and a vegetarian dish, and by letting our guests know, we are making a clear statement of the kind of food system we support and the environmental and social causes we stand for.

Understand the context

Companies operate in a specific context, which is primarily shaped by the country or region where a company is based, but it may also be affected by global factors. The forces of change are all those factors (Political, Economic, Social, Technological, Environmental and Legal) that can have an impact on business. From these, a particular emphasis will be put on environmental factors due to the nature of our business. Companies that take them into consideration are able to foresee opportunities and avoid potential threats caused by long term changes and trends in the business environment.

Some of the major global trends that affect today's businesses are found in areas such as: demography, energy production and demand, climate change effects, biodiversity, water access and supply, health and sanitation, human rights, governance, technology, natural resources, consumer behaviours, trade, economic development, etc. For a farmer, as an example, climate change may result in water scarcity, forcing him/her to use water more efficiently.



Tips for trainers

Sometimes entrepreneurs have a strong focus on a local challenge, and do not see how it connects with the big picture. Accordingly, a more natural approach to studying context would be to start locally (the entrepreneur's venture and its immediate environment), and then widen the scope (regional and global context) progressively.

Political, Economic, Social, Technological, Environmental and Legal (PESTEL) aspects, at the local, regional and global level, exert an influence on businesses.



The forces of change acting on our business.

Environmental aspects

Environmental aspects are central to green businesses. The fact that natural resources are limited at the planet level, may constrain or restrict the development of businesses. For this reason, those businesses that deal with these contextual factors from the beginning (e.g. by avoiding dependence on fossil fuels) will gain competitiveness in the global economy. The main environmental limitations posed by the planet are described next:

1. Limited availability of resources.

The pool of 'resources' from which business and companies can draw is getting smaller, as nature and the ecosystems are degraded at a rate faster than their regeneration possibilities. Example: over-harvesting, fossil fuels depletion, etc.

2. Increasing generation of waste and emissions.

The pollution generated by businesses and society can cause problems when nature's ability to process it is slower than its accumulation rate. Synthetic compounds are foreign to nature and often cannot be reintegrated within nature's cycles. Example: certain plastics, pesticides, etc.



MENA Example

‘Create your own supply chain’

28

Photo: World bank



Description

Company name:
Eco Oleo

Country:
Tunisia

Activity:
Recycling of used cooking oil

Year of creation:
2006

Start-up capital:
67 000 €

Entrepreneur:
M. Melik Guellaty

Driven by his sensitivity for environmental issues, as well as the observation that economic activities generate too much waste that are not recycled, Mr Melik Guellaty has set up a company whose activity consists of collecting used cooking oil from restaurants and hotels, processing it and then selling it as biodiesel. He also helps his customers comply with Law 96–41 on waste management and ISO 14001 environmental certification standard. The drivers that pushed this idea were:

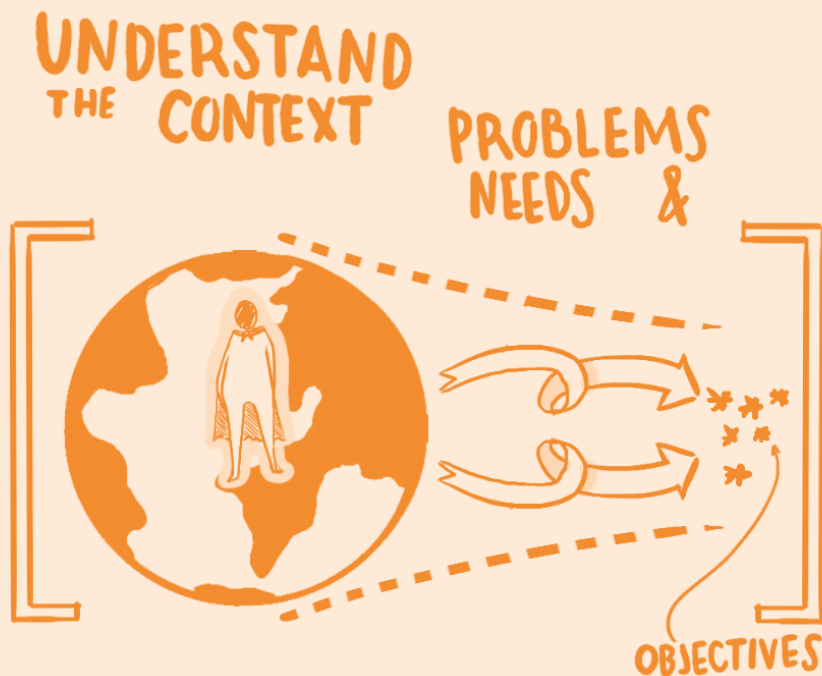
Environmental: The disposal of cooking oil in the drainage systems was creating an environmental problem, polluting the waters. In addition, the fuel emissions from transportation vehicles contributed to air pollution.

Market needs: The restaurateurs had to comply with legislation, for which they needed to manage used cooking oil in a respectful way.

Thus, Mr Melik Guellaty addressed both issues in his business, and he paved the way for a new sector: managing used cooking oil waste to supply a recycled fuel ready to use. Eco Oleo's supply chain is now active across Tunisia.

1.3 Objectives

*A matter of legacy:
objectives, mission and vision*



*From the context and the drivers to business objectives.
Setting course to impact.*

To chart a path towards our vision, drivers are translated into company's objectives and tracked by indicators.

Summary

Having understood the context our business operates in, as well as the drivers behind it (personal and professional motivations, environmental & social challenges, and market needs); we now find ourselves ready to set the objectives that will guide us towards the impact we want to leave behind. To chart a path towards our vision, drivers are translated into company's objectives and tracked by indicators.

Expected results

Here we expect to define the company's objectives, mission and vision.

Go to exercises
4. Set your goals
(Workbook, pp.22–23)

5. Synthesise a
mission & vision
(Workbook, p.25)

Then, as a result of Step 1,
you will be able to
synthesise the results
in exercise 6. Summary
(Workbook, p.26)

Objectives

As the end outputs of Step 1, and standard-bearers of the whole project, we must at this stage set the company's objectives.

To put it simple, objectives derive directly from the drivers identified: to meet the founders' goals (personal and professional motivations), to tackle the environmental and social challenges, and to satisfy customer needs.



Tips for Green Entrepreneurs

Think Big!

Setting ambitious goals for ourselves can push us to reach for greater heights and do better. All of course, while enjoying each small step towards success.

Mission and vision

By merging and synthesising the objectives into a single, short and elegant statement, we build our project's mission, which must embody its essence and reason for being. The vision, in turn, comes naturally as a time instance of the mission: the way we envision our project in the mid-long term.

If the mission embodies the essence of a business and its reason for being, its vision adds the time dimension to it.



Tips for trainers

In general, entrepreneurs tend to spend large amounts of time doing this exercise, either because it is the first time they face a canvas of this nature, or simply they want to be too thorough, unaware that this is an introductory step. To counter that, the trainer could assign this exercise as pre-session homework, so that participants can reflect on their idea and its components in depth, and also carry out some necessary market and customer research.

Metaphor box

Although we may not consciously verbalise them, we do set some objectives for a social event such as a home dinner with friends: we want our guests to enjoy the meal (quality, quantity, health and innovation), while contributing to a more sustainable and fair food system. The indicators of success (attainment of objectives) are usually straightforward, although rather subjective in this case: comments and feedback, amount of food that is left, time they left, amount of ingredients that were produced locally and certified as organic, etc.

MENA Example

‘When a social mission contributes to sustainable development’

32

Photo: World bank/ Maria Fleischmann



Description

Company name

Dar Zaghouan

Country:

Tunisie

Activity:

Eco-Lodge

Year of creation:

2007

Start-up capital:

190 000 €

Entrepreneur:

M. Skander Zribi

Mr Skander Zribi fervently wished to contribute to the economic development of his living area by creating economic activity. He was interested in tourism, which is a predominant economic activity sector in Tunisia, where competition between tourism players is tremendous.

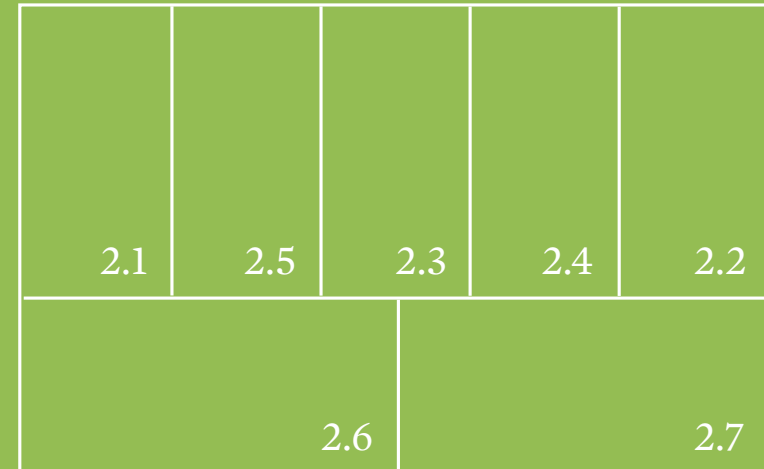
Mr Skander Zribi, driven by his passion for nature, identified a new emerging tourism segment in Tunisia: ecotourism, which is the tourism which offers nature and the wildlife-viewing experience, while sensitising customers to the environment. He decided to build an eco-lodge, the first one in Tunisia, nicely located in a harmonious place, close to the capital city of Tunis. That is a true advantage for people searching for accommodation far from the city hustle and bustle. The value proposition he offers is more than a tourist experience: all details are in accordance with the mind-set of the lodge: local food is cooked, use of renewable energy to provide hot water, Canadian well for natural cooling and heating of the chalets, preservation of the natural areas as well as traditional agricultural techniques. The lodge also brings an added value to companies' needs (another market segment): seminars, business workshops and other business events.

Skander's mission of has been to offer a new tourist experience while providing job opportunities to local population and being respectful to the environment. He envisions a future sustainable tourism system that re-localises rural activities and avoids rural exodus.

2

Build

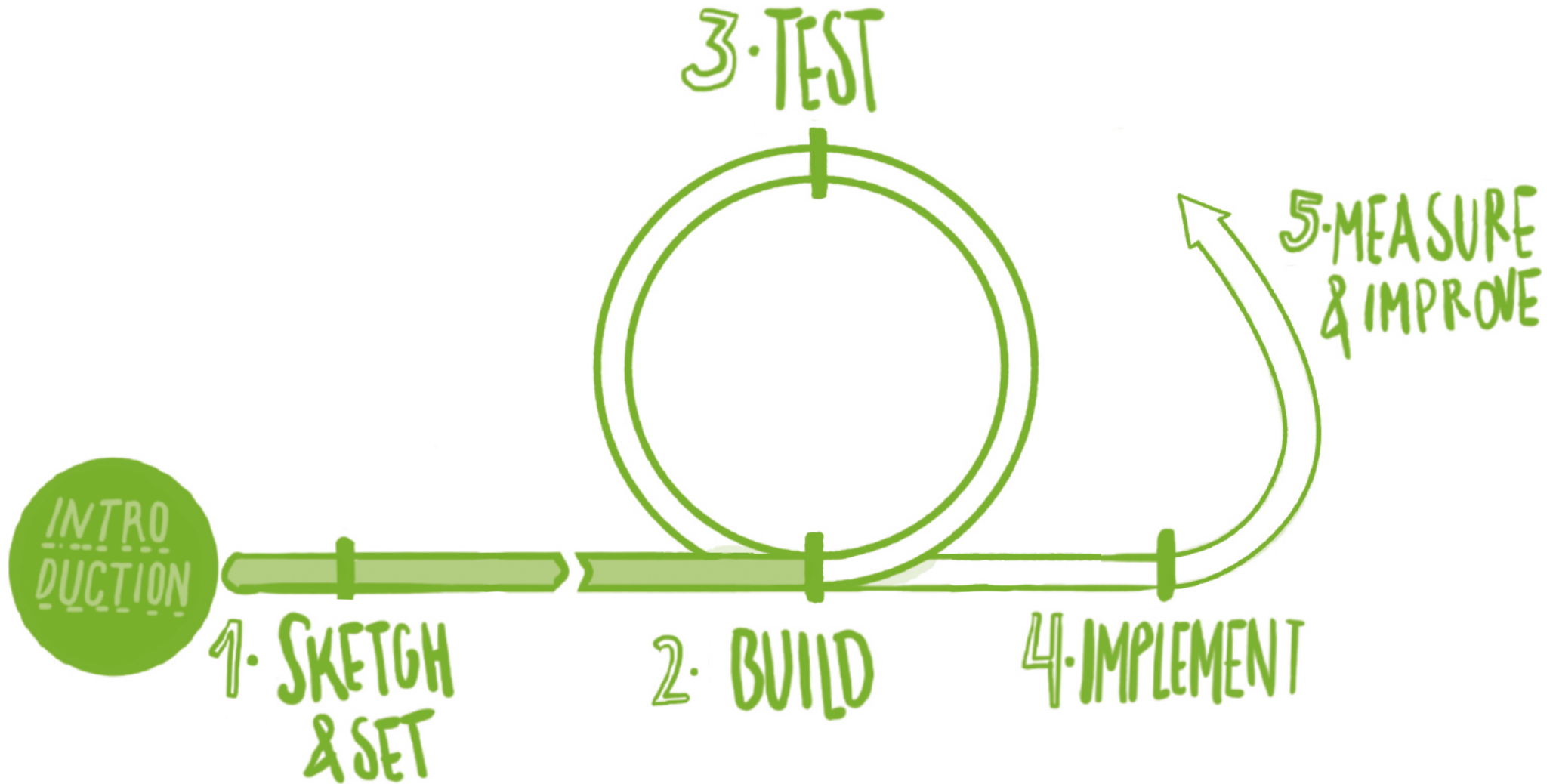
- 2.1 Key stakeholders
- 2.2 Customer segments
- 2.3 Value Proposition
- 2.4 Customer relationships and channels
- 2.5 Key Activities and Key Resources
- 2.6 Cost structure
- 2.7 Revenue streams



In this step, we design our project by means of the Green business canvas, which allows co-creating the value proposition with customers and stakeholders, make it as innovative as possible through the eco-design of the resulting activities, and crafting the business model that transports it all.

You are here!

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The green business canvas

Building sustainable prototypes: the Green business canvas

Within this guide's methodological framework, the canvas acts as the central design tool in each iteration

Summary

Once the project's direction has been clearly marked in Step 1, the time comes to venture into the actual development of its contents (products and/or services to be delivered) and its supporting business model (sources of income and cost). To do so, we have at our disposal the core design tool of this methodology: the Green business canvas.

The Green business canvas brings together all the key ingredients of the business into a single, global framework: customers and stakeholders, value proposition, key activities and resources, customer relationships and channels, and business model.

Description

Within this guide's methodological framework, the canvas acts as the central design tool in each iteration (see the iterative process in Step 3), therefore yielding prototypes more suited to market conditions with each pass. Zooming in, it comprises four main areas to be developed in a certain chronological order (further explanations in coming sections).

Expected results

Here we expect to obtain a prototype of our business solution framed in the Green business canvas, which consists of:

A catalogue of services/products, with their corresponding prices and rates.

The customer segments to target, the relationships to be established with them and the channels utilised.

The ecosystem of stakeholders involved and their participation (stakeholder engagement).

The business model that renders it viable: cost structure and revenue streams.

■ See Step 3 – Test for further information and explanation.
p.95

Methodology

The value proposition is the ‘promise’ of value to be delivered to and acknowledged by stakeholders and customers. Through co-creation with them, we turn the driving environmental and social challenges (why) into value, while ensuring economic sustainability.

A. Key stakeholders and customers (who).

They constitute the project's main players as they are either influenced or have an influence (‘stake’) in the attainment of its objectives (why).

B. Value proposition (what).

The ‘promise’ of value to be delivered to and acknowledged by stakeholders and customers. By co-creating it with both of them, we translate the driving environmental and social challenges into actual environmental and social value, while ensuring economic sustainability.

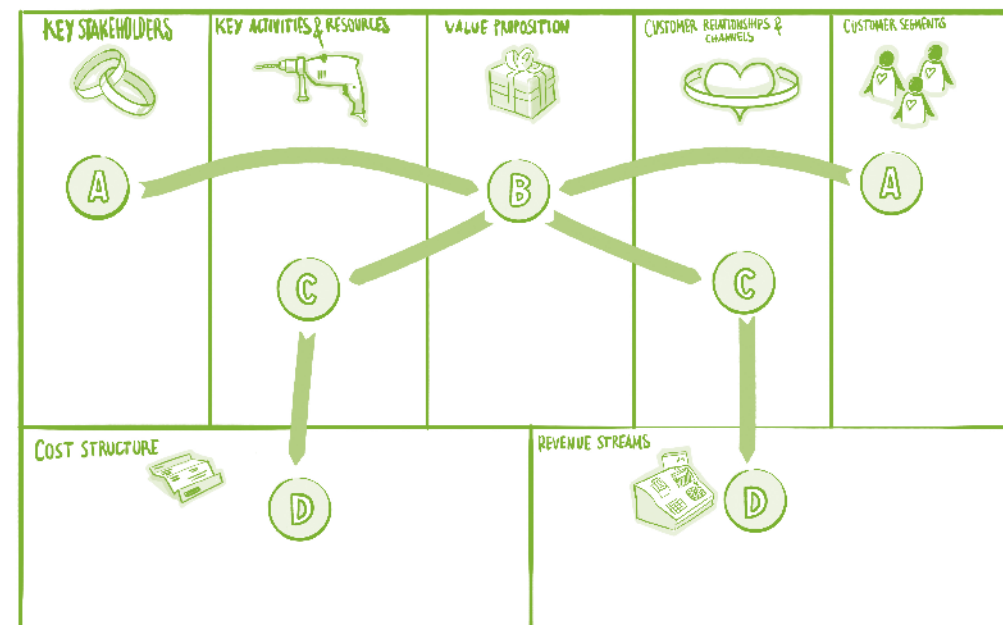
C. Customer relationships and channels, and key activities and resources (how).

Delivery is accomplished by effectively attracting and interacting with customers

on the one hand, and optimally engaging the stakeholders on the other. Through the key activities and resources the value proposition is materialised into services or products, following the principles of eco-design so as to minimise the ecological footprint of the business.

D. Cost structure and revenue stream (how).

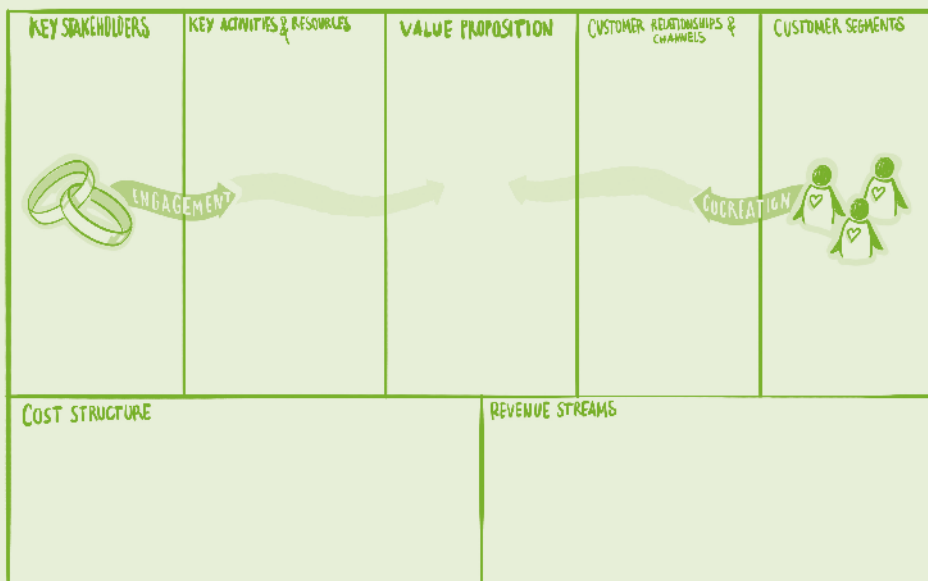
The actual business model of our company as given by the cost structure resulting from the activities implemented and the resources utilised, as well the revenue streams generated by selling to our customer segments.



The Green business canvas and its methodological approach. The letters (A, B, C, D) indicate the chronological order in which each block of the canvas is addressed.

2.1 Key stakeholders

Understanding the project within its ecosystem of players



The project's main players (the 'Who'): key stakeholders and customers

Summary

With our business objectives set, we now proceed to map and engage the ecosystem of players (stakeholders) that will play a fundamental role in achieving them, including the team, partners, beneficiaries, customers, suppliers, investors, the media, NGO's, local communities, society at large, etc. By engaging them in the project we are able to create the project's environmental and social value.

Stakeholders play a fundamental role in achieving the business objective, hence the importance of mapping and engaging them in the project.

Description

Stakeholders are all the agents or groups related to the project, either because they are influenced/affected by its objectives or, the other way around, they exert an influence/effect on them, or both. It is through their engagement in the project that all these players are able to create and receive value (environmental and social), in a fair and optimal way (balanced 'give & get' exchanges). Customers are a special stakeholder in the sense that the financial health of the project relies on their engagement, and so they deserve special attention.

It is through stakeholder engagement that we create environmental and social value in a fair and optimal way (balanced 'give & get' exchanges).

Expected Results

Here we expect to develop a detailed list of the key stakeholders and their participation in the project ('give & get' exchanges), with particular emphasis on the following groups: team, partners, beneficiaries, customers and local community.

Go to exercise 7.
Key stakeholders
(Workbook, pp.34–39)

Identify & map the stakeholders

This step involves identifying and prioritising those stakeholders that will play a significant role in achieving the objectives of the project. The way to proceed with this mapping is to, first, identify all the players related to each objective, and then select the most relevant ones for the whole project (i.e. involved in most objectives). To do so, stakeholders may be placed in the matrix according to the level of influence on our project and the extent in which they are affected by it (the right-top quadrant will concentrate the most relevant ones). Lastly, to be more concrete, we match the stakeholder categories determined with real players and organisations. A number of key stakeholders appear in every project, and so special attention is dedicated to them given their relevance:

Given the limited resources entrepreneurs have at their disposal, it becomes vital to prioritise the key stakeholders, narrowing them down to not too many so that we lose focus, but not too few so that the model works.

Team

The team (co-founders and employees) undoubtedly represents the number one key success factor of every project. Accordingly, complementary team members (personality traits and professional competences), as well as effective managerial approaches (decision-making and coordination) are fundamental ingredients. Another winning strategic choice concerns the matching between a team's strengths (plus those of its partners) and the core action lines of the business.

The team undoubtedly represents the number one key success factor of every project.

Partners

Partners are entities, organisations or people aligned with our mission, sharing our values, and complementing our strengths in pursuit of our common goals. As with any other stakeholder, the fine-tuning of the value exchange ('give & get') incurred, the balance, holds the master key to a satisfactory relationship with our partners.

We are moving away from a company-centred vision, towards a talent-centred one, with smaller, leaner and more flexible companies sharing distributed resources with partners over networks.

Beneficiaries and customers

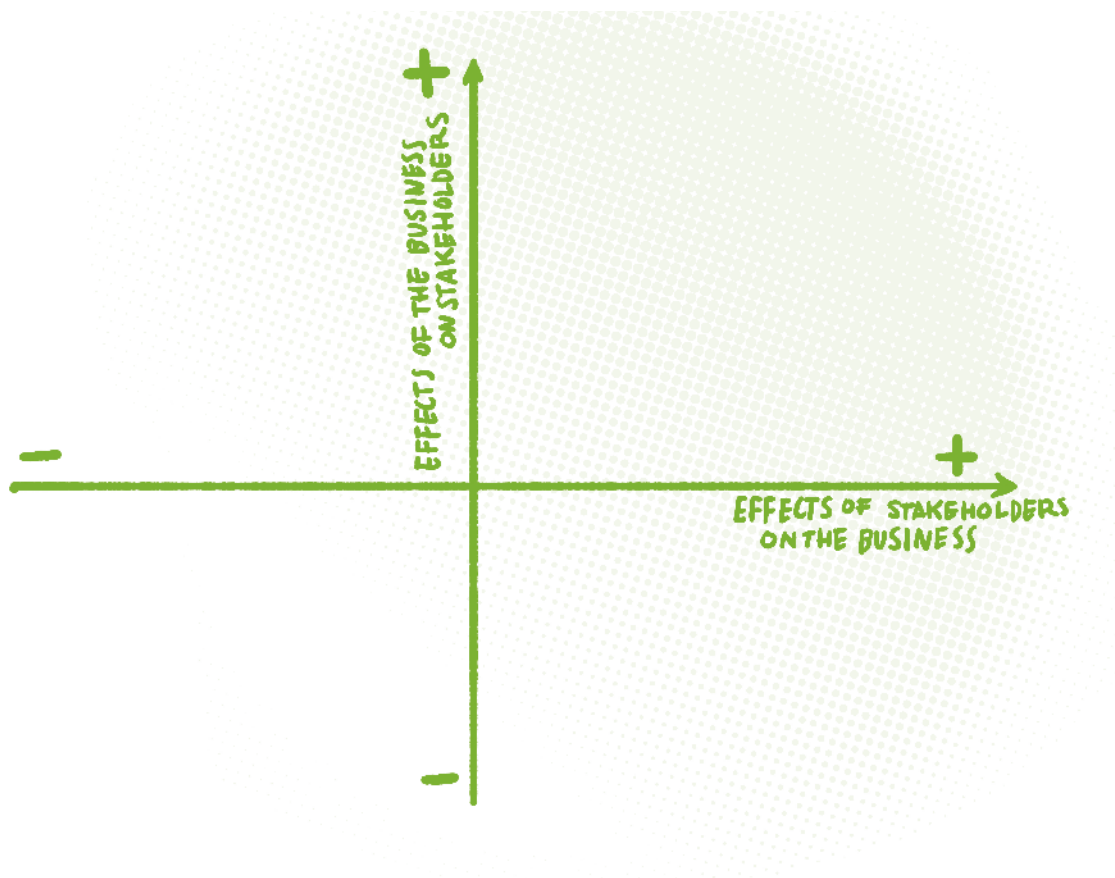
Beneficiaries are those who benefit from the value your project generates. Customers, on the other hand, are particular types of beneficiaries that lie at the core of the business model. They buy our services or products (vehicles of value), thus acting as the main catalysts for the monetary flow around the project's ecosystem.

Local community

Driven by sustainability's motto of 'thinking global, acting local', our project's main impact in society has to be intrinsically linked to the local community, which refers to the geographical area where we operate and deliver. In this manner, our social responsibility legacy is shaped by the way we engage with it: creation of local employment, contribution to awareness-raising and education of the local population, partnerships with neighbouring businesses and public administration, green and proximity procurement, etc.

A project's main impact in society is intrinsically linked to its local community.

Key stakeholders map



Mapping the stakeholders according to their effect on our business and our influence on them.



Tips for green entrepreneurs

Identify the stakeholders

Amongst the stakeholders, you may find easier to identify your customers first. Customers, as well as other stakeholders, will have a critical role for building your value proposition, and define the structure of your business model. Do as you can to involve at early phase the stakeholders and keep in mind that some of them may be discovered later.



Tips for green entrepreneurs

Set up a good team

Don't try to manage all the business alone. Concentrate on your speciality, in the domain where you shine, and let others do what you cannot do (or do poorly). Similarly, no matter how innovative the idea may be, it is worthless if you do not sell it. And you need a good team for that, one that can deal with the core business and manage the fundamental tasks. Look around you and identify who will help you in this task and engage them! Source the best resource you need and build partnerships.

Assess the 'give & get'

By analysing the key stakeholders depicted on the map, we can start previewing the kind of relationships, or 'give & get' exchanges (contribution/reward), which should take place among them for the equation to be properly balanced. Those exchanges of value require validation in reality through market tests and feedback-gathering. To assess the gives and gets, we can use the *Stakeholder cards* included in the workbook.

Balanced relationships ('give & get' value exchanges) are a must for the ecosystem of players to function and ultimately achieve the project's objectives.

STK CARD #

WHO?

IMPORTANCE: ○ — ○ — ○

GET GIVE

GIVE (100%) ————— GET (100%)

WILL HE/SHE BE WILLING TO PAY FOR THE VALUE YOU ARE CREATING? YES NO

HOW WILL YOU IGNITE IT?

DID YOU VALIDATE THIS INFO?

Stakeholder card, useful to characterise the different stakeholders and assess the gives and gets.

The true value of stakeholder engagement, besides ensuring participation, resides on the power of co-creation.

Practical

Putting those exchanges into practice means engaging the key stakeholders in the project, i.e. incentivising their participation so as to boost commitment through the balanced 'give & get' exchanges that are anticipated. The true value of stakeholder engagement, besides ensuring participation, resides on the power of co-creation. 'Co-creating' a project means jointly designing and executing it together with the key stakeholders, as a

way to empower them on the one hand, and maximising the value created on the other. In practice, co-creation and engagement should start right from the very initial stages of project development: by involving the stakeholders (including customers) in the design, assessment and improvement of prototypes, i.e. in the test & validation phase.

See [Step 3](#) for further details.



Tips for green entrepreneurs

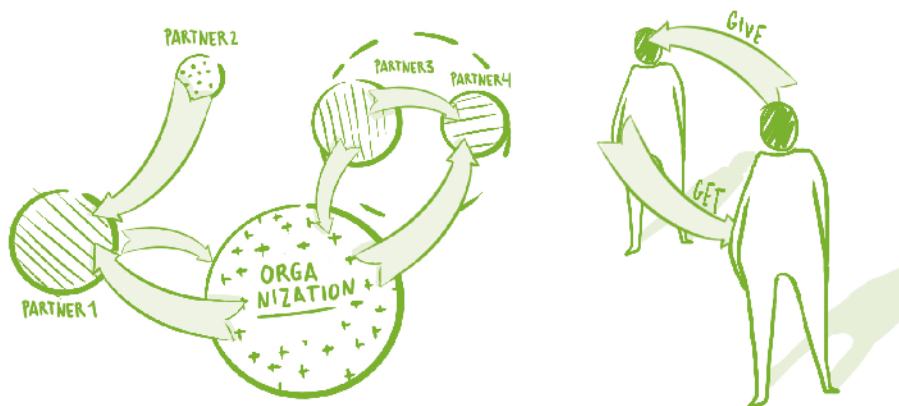
Think big!

We must carefully consider the needs and behaviours of the stakeholders. Also, we can find innovative solutions by involving them in the co-creation of our solution. Building up partnerships to complement our team and outsourcing less critical tasks outside the company (private companies, public research centres, clients, suppliers, universities...) are smart strategies in pursuit of effectiveness.



Tips for trainers

The two main ideas green entrepreneurs must keep from this chapter involve: first, the need to identify, prioritise and properly (in a balanced and fair manner) engage all the key stakeholders; and secondly the fact that new, unthought-of key stakeholders may emerge later in the business development process.



Give & get exchanges are implemented through stakeholder engagement and value co-creation.



Tips for green entrepreneurs *Involve customers and stakeholders*

Whereas involving your customers in a co-creation process is a prerequisite for the rapid success of your project, it may be tricky to get your others stakeholders into the same level or engagement. On the basis of your interviews with your stakeholders, think carefully about whom you can expect a full implication from, and rank the level of engagement, from the weakest (for example via regular feedback on the project) to the highest (co-creation).



Tip For Trainers

After having selected the main stakeholders, green entrepreneurs may find it relevant to meet them for the co-creation of the business and to validate hypotheses.

For doing so, entrepreneurs can make individual interviews or set up groups of stakeholders (about 6 people per group) and meet them for no longer than 2 hours. During these meetings, entrepreneurs shall collect feedback from the stakeholders by asking them questions about their business (e.g. does the business focus on the right problems? what do they think of the value proposition? would they be willing to contribute to it? what could they give to the project and get in return?). By getting people from different background together, entrepreneurs will have large opportunities to think 'out of the box' (that is out of the established framework), and come to innovative ideas.

MENA Example

‘Be part of a value chain’

Photo : World bank



Company name:
Collectun D3E Recyclage

Country:
Tunisia

Activity:
Recycling waste electric and electronic equipment

Year of creation:
2009

Start-up capital:
7 600 €

Entrepreneur:
Ms. Ines Temimi

Description

Collectun D3E Recycling was established in 2009 by Ms Ines Temimi as an exporter of Tunisia Metal Scrap products. The company is located in Tunisia, recycles waste electrical and electronic equipment (IT and telecommunications devices) that come from companies or public administrations. In order to ensure effective recycling, the recovered waste is sold in Europe to specialised industries. Collectun D3E recycling is supported by the government through a law that regulates waste management in Tunisia (particularly waste from electronic devices). One of the biggest challenges faced by the company has been raising awareness in businesses about recycling electronic waste and collecting used phones for recycling purposes. Implementing such activity requires a large understanding of the players gravitating around. As a result, in order to develop her company wisely, Ines had to engage a number of strategic key stakeholders, including:

Customers: plastic and metal recycling companies, both local and international (Nokia, Shell, EPPM, STB (Société des Banques Tunisiennes), (TUNISIANA).

Electronic waste suppliers, such as the government and companies with used equipment.

International partnerships: signatory countries of the Basel Convention.

Because the economic sector of recycling is emerging, the stakeholder profile is going to change continuously. That leads Ms Temimi to the need to continuously reconsider the ‘give & gets’ exchanges.

Metaphor Box

Once again, our dinner with friends provides the perfect platform to illustrate the notions of stakeholder mapping and engagement. Given that our main objectives were to make our guests enjoy the meal (quality, quantity, health and innovation), moment and company, while contributing to a more sustainable and fair food system; the key stakeholders involved include the hosts (us, the cooks), guests (friends invited), food providers (market or shops where we buy the ingredients) and food growers (farmers). As of the potential 'give & get' exchanges:

Hosts: we buy the ingredients, cook the meal and host the event; we hopefully get good feedback from our guests, enjoy the evening in great company and spread the word on sustainable and healthy food.

Guests: they are at the centre of the whole experience and contribute with their presence, attitude, feedback, etc. They may even bring a gift as a reward for our invitation.

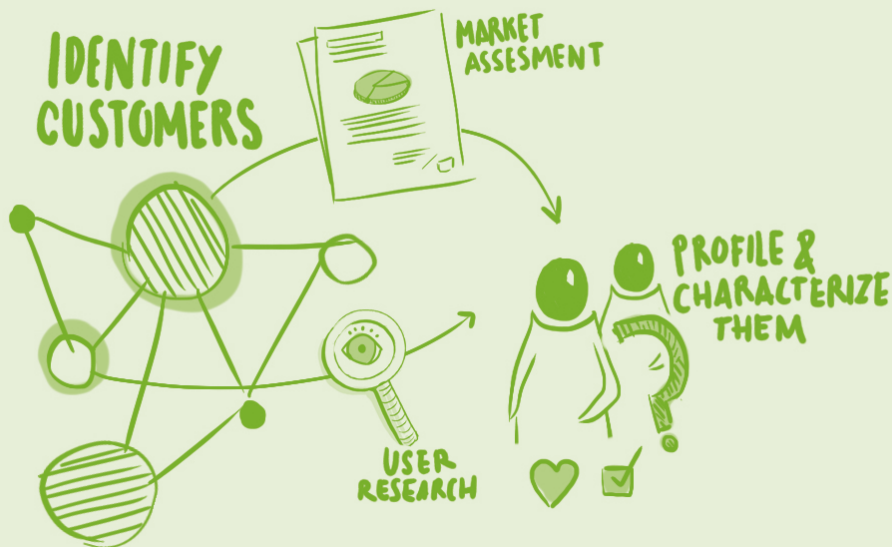
Food providers: provide the ecological & local food for the meal, get the payment in exchange, as well as an indicator of the demand for this kind of food.

Food growers: they grow and deliver (through intermediaries maybe) the food to the providers. On the other hand, as we engage in fair trade, they get a fair remuneration for their job, an incentive to keep growing organic food and distributing it locally.

2.2 Customer segments

Discovering our customers, understanding the market

45



Characterising our customers through customer identification, user research and market assessment.

Summary

Zooming in on the ecosystem of stakeholders, we shift the focus to one particular stakeholder holding the master key to economic and financial viability: customers. Consequently, our goal at this point is to develop a sound understanding of our potential customer base (customer identification and profiling) and the existing market around it (market assessment), upon which to ground our business model design choices. Furthermore, by combining this information with the strength analysis (team and partners), we take decisions regarding segmentation (selecting customer segments) and positioning (differentiating our approach with respect to the competition's). All this customer value will then be transferred into the core of our business via the value proposition.

A customer-centric perspective ensures the value proposition is based on real and, ideally, unmet needs from approachable market segments.

Description

Customer development is all about understanding customers' deep-seated needs and aspirations, and using those insights to develop meaningful connections between them and the value proposition the green entrepreneur is building. Accordingly, it is through engagement and co-creation that we ensure an optimal generation of value for the customers.

Customer development is about understanding customers' deep-seated needs and aspirations to develop our value proposition.

Expected Results

Here we expect to define the customer segments we will address in the context of the market we are entering, and feature detailed customer profiles (customer cards) with generic, functional and emotional data (functions, pains, gains and senses).

Go to exercise 8.
Customer segments
(Workbook, pp.46–50)

Identify, characterize and profile potential customers

Customers are a special type of beneficiary and receive value from the project through the purchase of its services or products.

46 Three factors usually converge in the making of a customer: ample value creation (perception and reception), unique offer in the market (differentiation), and adequate price (affordability). Taking into account these characteristics and building on the stakeholder map we have just depicted, our task at this point concerns the identification of potential customers among all beneficiaries. They are referred to as customer segments, which can be defined as homogeneous groups of customers whose behaviour, demographic or economic characteristics (among others are similar).

When we enter a market, we first need to study it (market assessment) to decide whether to focus on a niche of it (segment), or open new uncontested market space where competition is irrelevant.

In the framework of testing our business model, the customers who are willing to pay for a prototype (an early version of the product or service offered) are called 'early adopters'.

Once you have sketched your potential customers types, you will need to gather

more information in order to group them, then define any segment that would require specific attention and action.

In technical terms, this procedure is called 'customer profiling' and basically comprises two layers of detail: a generic description based on broad demographic statistics, and a personal map of functions to be fulfilled (customer functions), and emotions felt (pains and gains and senses).

Visualising the lifestyle of customers (generic description) is a valuable asset for product development; but if what we really want is to unlock their personal connections with our project so as to create empathy, then we need to put ourselves in our customers' shoes to think, say and feel as they do. It sets the boundary conditions for understanding and eventually engaging them. Real interactions with customers are ideal inputs, although, as a first estimate, our initial expectations and knowledge of customer segments can be entered in the model.

The process of engaging customers implies understanding their needs, reaching out to them, developing empathy, building trust and finally creating value for them via purchase opportunities.



Tips for green entrepreneurs

Look at international market opportunities!

When identifying potential customers, don't forget to look at international market opportunities! Although marketing products internationally may require adaptations and be costly, it is an option we should consider at a very early stage of our green business project. The potential is great in some sectors such as ecotourism!



Tips for trainers

Choosing the right market segment to tackle in priority may be a tricky exercise, that should be implemented later, once the business model is validated (see Step 4 - Implement). Within the framework of this methodology, it is advised that the green entrepreneur focuses on one segment first, and identifies, characterizes and profiles it, and later defines the best value proposition for the segment.



Tips for trainers

A focus group (or several) constitutes a useful method to develop customer cards. Moreover, if participants already fall within the targeted customer segments, the data validation is automatic.

Customer cards

To carry out the exercise of profiling and characterising the customers, we can use the Customer cards included in the workbook.

Customer card: generic description, pains & gains and functions to be covered.



Tips for green entrepreneurs Think economic sustainability!

We have to bear in mind that a green business is a business, meaning that, besides the green aspects we want to highlight, we must not forget that our client may consider other criteria to justify his/her purchasing decision, including design, cost, technical specifications, convenience, health, etc.

Generic description

A descriptive portrait of the customer based on objective data from demographic statistics, customer surveys, contextual interviews, focus groups, secondary market research, and other available user research studies. It could include data on the geographical area where they are located, their typical jobs, age range, living expectations, connections with the rest of the world, etc.

Customer functions

A description of the functions they would like to have covered. These latent needs can be the tasks they are trying to perform and complete, the problems they are trying to solve, or the needs they are trying to satisfy. The needs speak more to our minds and rational motivations.

Pains & gains

Pains refer to the negative emotions, fears, undesired costs and situations and risks your customer experiences or could experience before, during, and after getting the functions done. Fears can be a strong driver of purchasing behaviour and can be the hidden source of wants and needs.

Gains, on the contrary, are the benefits the target customer expects, desires or would be surprised by. They include functional utility, social gains, positive emotions, and cost savings. These emotional drivers are usually conscious (although aspirational) thoughts about how we would like our lives to be improved. They can be ranked according

to their relevance for the customer, from insignificant to substantial. They speak more to our hearts and emotions.

Once this initial exploration of customers has been completed and before moving on to building the value proposition, we ought to get out on the street and gather real data in order to check assumptions about our users (customers), for instance through some discussion with targeted groups of customers or face-to-face interviews. This will help getting a definitive knowledge on our customers (then you may check the box: 'did you validate this info'). It is important to have such a qualitative approach first, since this is a compulsory step prior to customer segmentation (that may be subsequently achieved through a quantitative analysis).

This process of testing & validating customer data is carefully explained in Step 3 (Test).

■ See Step 3 – Test for further information and explanation. p.95

Metaphor Box

Expanding the ‘dinner for friends’ instance into a neighbourhood organic & local food restaurant will help us work on customer development:

First, among all potential clients of an eco-restaurant in the neighbourhood we are going to target families that care deeply about their children’s health and that are environmentally aware too.

Then, we are going to profile and characterize them: Generic description: families with 1-3 children, living in the neighbourhood of X (Country Y), middle class, working mostly in the service sector, especially in tourism. They appreciate a good quality of life and are well connected to the world through their jobs as well as their personal interest and awareness.

Customer functions: to eat quality & healthy food; to provide good education for their children; to support environmental and social causes through their decisions as consumers.

Pains & Gains: they can’t afford expensive ‘eco-restaurants’; they don’t like chain restaurants; they can eat healthy, affordable food; they learn about local food in season; they support local farmers; they know all they eat is certified as organic and fair trade; they enjoy delicious recipes.

MENA Example

‘Choosing the right market segments’

Photo : World bank



2.2 Customer segments

Description

Company name:

Onera Systems

Country:

Egypt

Activity:

Manufacturing and distribution of clean energy solutions

Year of creation:

2003

Start-up capital:

30 000 €

Entrepreneur:

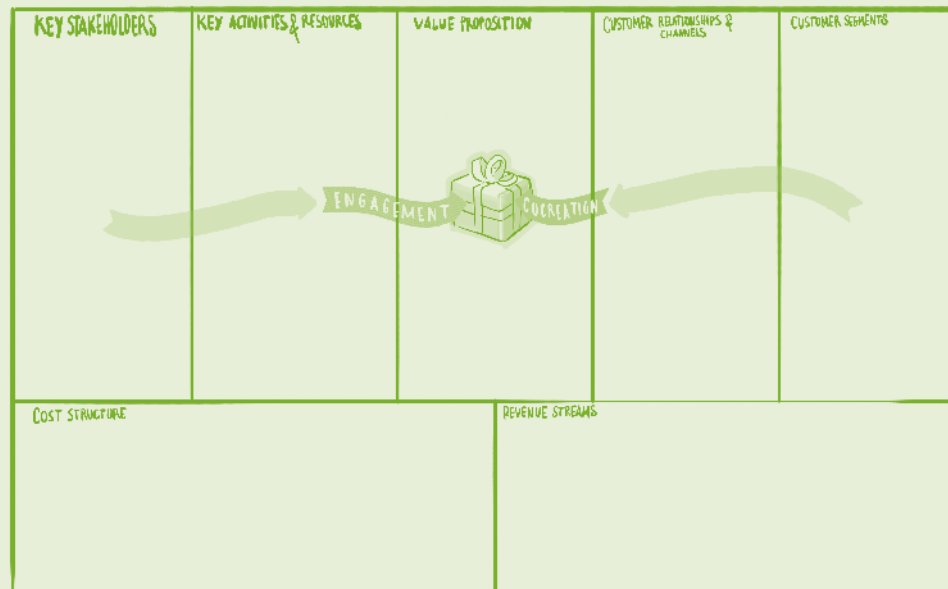
M. Wael El Nashar

Created in 2003 as a subsidiary of Middle East Engineering and Telecommunications S.A.E. (MEET Egypt), Onera Systems has been a market leader in introducing off-grid solar systems and other renewable energy technologies in Egypt.

The main challenge the company had to deal with was to overcome the lack of public awareness regarding the cost-benefits of renewable energy systems, as well as the lack of appropriate public policies to promote the sector. As a result, Onera Systems identified market segments where an off-grid energy supply represented the highest profit: solar backup systems, solar powered highway traffic-signs, telecom sites. With a growing awareness for climate change, Onera Systems has become a key partner of the Egyptian government, in the way that it was pushing to change Egypt's energy mix. In order to maintain its leading position, Onera systems had to implement a complete process to analyse market demand, customers' changing needs and tastes. That led Onera systems to continuously adapt its selling strategy and relationships with its customers.

2.3 Value proposition

Unleashing the power of co-creation for sustainability



Building a unique value proposition through the strong involvement of the stakeholders and customers.

By searching for differentiation opportunities in the market and co-creating with customers and stakeholders, we ensure our value proposition provides added value and suits the needs, demands and contributions of all.

Summary

We have a mission to guide our steps, an ecosystem of stakeholders to accompany us along the way and a pool of potential customers to economically sustain the process. Now, it is all a matter of bringing the business idea to the ground, and materialising it into a rich, unique and deliverable value proposition that creates environmental and social value on the road to achieving the objectives. For so doing, we are going to, on the one hand, analyse the market search for differentiation opportunities that match our strengths and focus on providing added value to what already exists. And on the other, engage customers and stakeholders alike in dynamics called co-creation, which will yield a value proposition suited to the needs, demands and contributions of all.

Expected Results

Here we expect to define the value proposition, that is to say, the 'promise' of value to be delivered to and acknowledged by stakeholders and customers. This value proposition will contain value for the environment, stakeholders and customers; all in relation with our strategic position (differentiation and added value) in the market compared to competitors and sector leaders.

Go to exercise
9. Value proposition
(Workbook, pp.54–55)

When finished, continue
with the exercises
10. Test: Key stakeholders
- Value proposition –
Customer segments
(Workbook, pp.58–61)

and 11. Pivoting the value
proposition
(Workbook, pp.64–65)

Environmental and social value

Environmental value relates to the ability of a business to create value by protecting and preserving the environment through its activities and those of its customers and stakeholders.

Social value creation, on the other hand, is about leveraging businesses to address social issues. Combining both angles, green businesses create environmental value by tackling environmental challenges (a key driver for their existence) through its business solutions and operations, and social value by empowering their stakeholders (including employees, suppliers, communities and future generations) and meeting the needs of their customers.

Environmental value is created when the environmental challenges we tackle permeate into the value proposition through the stakeholders and/or customers, meaning some of these players appreciate and demand action towards those eco-objectives.



Tips for trainers

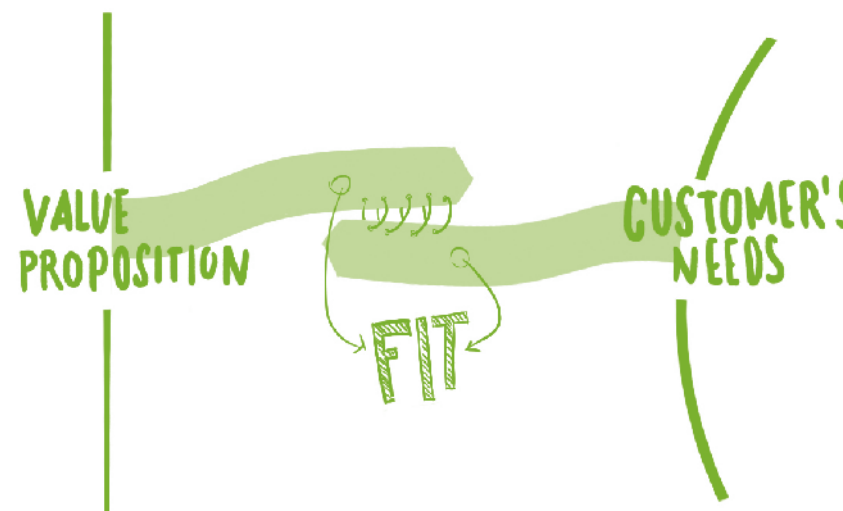
The co-creation process is critical in order to maximise the chances of getting some innovative values. Although recommended, entrepreneurs may enter into this approach only if considered of interest. Local trainers may advise entrepreneurs on the desirability of co-creating with all stakeholders case by case.

Customer value

Although customer value is social value (customers being stakeholders), we dedicate special attention to it provided that the viability of our business is at stake. It targets customers' needs and aspirations and has to be delivered to (in the form of services/products and user experience) and acknowledged (sufficiently appreciated) by them. Value may be quantitative (price, service speed, cost reduction, risk reduction...), qualitative (innovation, customisation, customer experience, design, status and

identification, convenience/usability...), or somewhere in between (sustainability, availability & accessibility, performance...). Making the link with the business model, it is the customers' perception of value obtained (the extent to which they perceive their needs to be satisfied) that is directly correlated to their willingness to pay for it.

Customer value targets customers' needs and aspirations and has to be delivered to and acknowledged by them.



Fitting customers' needs and aspirations.

Co-creating the value proposition: products & services, gain creators & pain relievers

So, basically, our value proposition has to contain value for the environment, stakeholders and customers. In other words, it has to transport the environmental and social value we create, while engaging stakeholders, and performing customer jobs. The most logical way of achieving this is by actually involving customers and stakeholders in the process of designing and delivering the value proposition (co-creation). Stakeholders engage in 'give & get' exchanges seeking a balanced participation in the project. Customers tell and demonstrate what their real needs are.

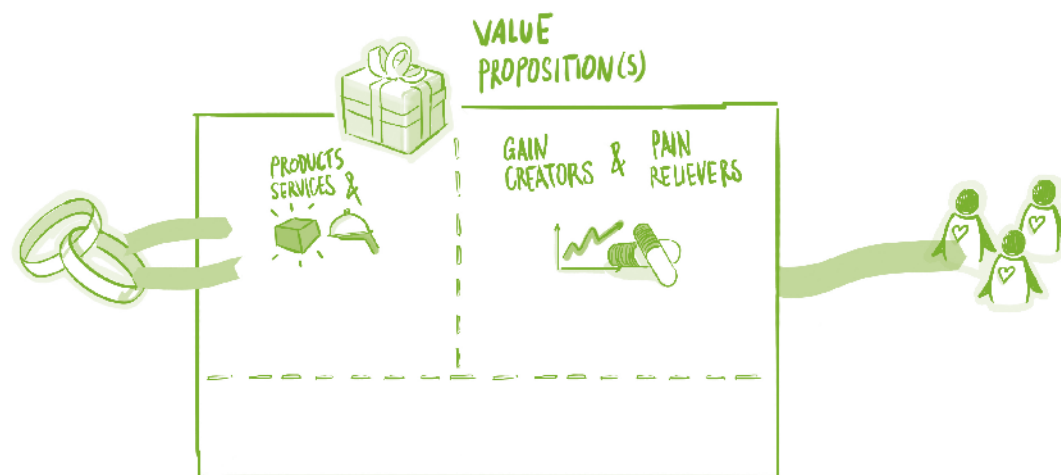
At the core of the value proposition there is our catalogue of deliverable products and services, which we need to comprehensibly define at this stage in terms of how they work, the way stakeholders are engaged and how they boost gains (gain creators) and ease pains (pain relievers) for our customers.

Our value proposition consists of a catalogue of products and services which, through stakeholder engagement, create environmental and social value, catering to the needs of customers, and providing added value in the market.



Tips for green entrepreneurs Have a unique value proposition!

This is the essential point of our business project. The value proposition should bring customers something new that will prompt them to turn aside from competitors.



Co-creating the value proposition with stakeholders and customers.

Market research: substitutes/ competition

In a market economy, having a value proposition that effectively satisfies the needs of our customers and engages the stakeholders is not enough. It also has to consider what is already being offered in the market to the same customer segments, addressing similar needs. That is to say we need to differentiate our approach with respect to that of our competitors by providing added value, or put more simply, by offering a unique value proposition.

With this objective in mind, we embark on the fundamental task of assessing the market and its players (market research),

looking for market opportunities within our customer segments. We do so by looking at substitutive products or services our target customers may encounter, including sector leaders, competitors, as well as solutions that address (part of) the same needs as our value proposition. The assessment should shed light on the type of market (mass or niche-based), the players' major strengths and areas for improvement, and other key features (quality, price, sustainability...)

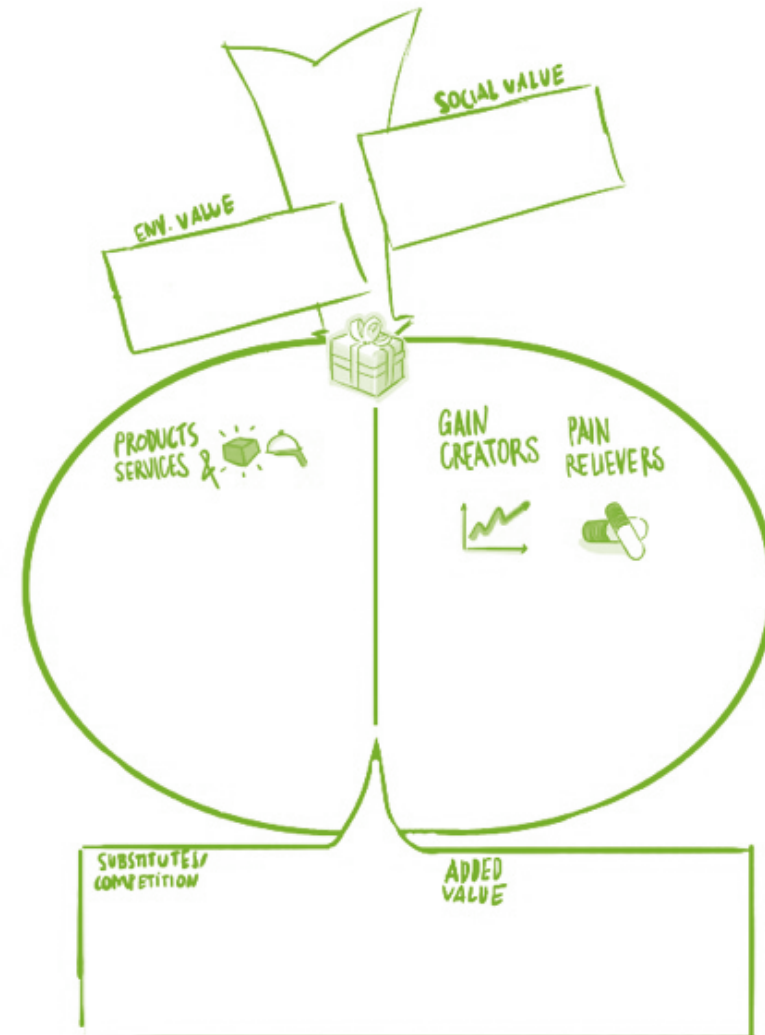
Market research provides a valuable first input for the design of prototypes, which are then tested in real conditions, and improved until a market-fit is attained.

Added value & innovation

The market research puts us in the right position to design a smart entry and positioning strategy, centred around the added value we are going to provide. It is all a question of differentiating ourselves with respect to existing alternatives, of adopting a unique approach. Innovation, in this regard, may come from any or all the above-mentioned sources and processes: stakeholder engagement, customer-centric design and relations, environmental integration, quality, business model, etc. Particularly, our green business will have to demonstrate what 'green value' it brings to the customer. Furthermore, this comparison with competitors highlights those of our strengths (and those of our partners) that hold potential for a tailor-made opportunity. The time is right then to take those key business decisions, which of course may be changed over time as we navigate and evolve with the market.

Accurate information on the market in which we operate is essential to position ourselves in it by playing to our strengths and tapping into existing opportunities, always in alignment with our long-term vision.

Initially, we can build a 'theoretical' value proposition by means of market research and our prior knowledge of the customers' needs and stakeholders' exchanges, as we started doing when sketching our initial business idea. Then, for the sake of validation (proceed to step 3), we carry out iterative market tests to progressively check and improve our value proposition, thanks to real data and feedback from the players involved. This is where co-creation is magnified, and where it should lead to the definition of an added value compared with competition, that is the value proposition that will make us unique: the Unique Value Proposition.



A unique value proposition has to offer added value in the market (social, environmental and for the customer).

■ See Step 3 – Test for further information and explanation. p.95



Tips for trainers

This phase involves plenty of research by the green entrepreneurs. Make sure they take the necessary time and consult sufficient and reliable sources. The value proposition is the essence of a business and so we have to help green entrepreneurs define **appropriate tests (Step 3)** to validate and improve it through co-creation.

Metaphor Box

Continuing with the fair & eco local restaurant case, we build its (theoretical) value proposition as follows:

Environmental and social value: by sourcing its produce from local and ecologically certified farmers, engaging in fair trade with them, and proactively raising awareness in customers; it contributes to the growing demand for organic food, generation of local & quality employment, and to a healthy society in general.

Products & services: organic restaurant service with great variety and affordable prices; small kindergarten service with environmentally related games and story-telling; pet-caring service; weekly meet-your-farmers market; monthly visit to traditional cultivation lands.

Gain creator: healthy and diverse diet; environmental hands-on education; knowledge about organic production and inspiration for

homemade recipes; interaction with neighbours; support for local businesses.

Pain relievers: affordable and tasty organic meals; kids and pets friendly; no chain restaurants.

Substitutes/competition: high-quality chain or speciality restaurants (nationalities); pricey vegetarian restaurants; homemade recipes.

Added value: affordability of prices; diverse eco-menu; quality & taste; ecological and fair trade certification; proactive visibility and awareness-raising regarding the benefits (health, environment and community) of fair, organic, local food; connection with local farmers and traditional agriculture.

MENA Example

'How to commercialise an invention'

Photo: World bank/ Allison Kwesell



Description

Company name:
Vireo Car Wash

Country:
Morocco

Activity:
Carwash station

Year of creation:
2008

Start-up capital:
17 000 €

Entrepreneur:
M. Hicham El Bayed

Hicham El Bayed wanted to set up a business in the carwash sector, since it was relevant and well developed in Morocco. With two other founders, they decided to set up Vireo Car Wash, which would make a difference with competitors: they opted for an environmentally friendly carwash service. They patented a process that is water free and uses 100% natural and biodegradable products. Even if the customers understand that the process allows for a water reduction of 150 litres per wash, this environmental value proposition alone would not suffice, since customers may still need to have more arguments to opt for Vireo Car Wash services. Thus, Hicham has been working on improving his value proposition. On the one hand, he offers low prices and on the other, he offers a waiting area adapted to the needs of kids and parents (for example, he proposes a WIFI connection). The complete package offers a unique value proposition in the area.

Today, Hicham is developing the activities of Vireo Car Wash by deploying a network of franchisers.

2.4 Customer relationships & channels

Ways of interaction with customers to engage them and make them feel part of our business, while we deliver them a Value Proposition.

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Summary

We review in this chapter/section the types of relationships a company establishes with a specific customer segment and how it communicates, reaches and transfers value to its customer segments. The quality and level of detail given to this relationship deeply influences the customer experience as well as brand perception. Nurturing and tracking each touch-point your customer experiences is key to acquiring brand loyalty and engaging new clients.

The quality and level of detail given to this relationship deeply influences the customer experience as well as brand perception.

Expected Results

Here we expect to define and characterise the different types of customer relationships and channels. They are a great field for innovation and better deliver our value proposition to our customer segments.

Go to exercise 12. Customer relationships and channels (Workbook, pp.72–73)

Customer relationships

We can establish different types of relationships with our customers, for example:

1. Personal assistance: when we get involved personally in attending our customers, not delegating to other people or machines. Example: a nurse, a teacher, etc.

2. Dedicated personal assistance: it is a particular type of personal assistance in which we singularly attend a few of our customers. They are special from the rest of our customer segment, so we attend them individually, with special care and dedication we do not provide to others in the same customer segment. Example: a manager or agent for actors/actresses.

3. Self-service: it means that the customer develops actions that generate the service he/she is expecting.

4. Automatic service: With an automatic service, the customer remains a passive subject and the service is provided by a machine.

5. Community based: relationships based on community rely on the force and inputs from all the members of the community. For instance: YouTube, where millions of users create contents and interact with each other.

6. Co-creation: by co-creation we engage our customers in the development of our service; they take an active part in its design and even its production.

Relationships based on community rely on the force and inputs from all the members of the community



Some types of relationships and forms of interaction (personal assistance, automatic services, self-service, etc.) with our customers

Develop the customer journey

In order to properly establish the different types of relations we may have with our customers, as well as the different channels we use to reach them, we must first complete the customer journey map of our particular segment of customers.

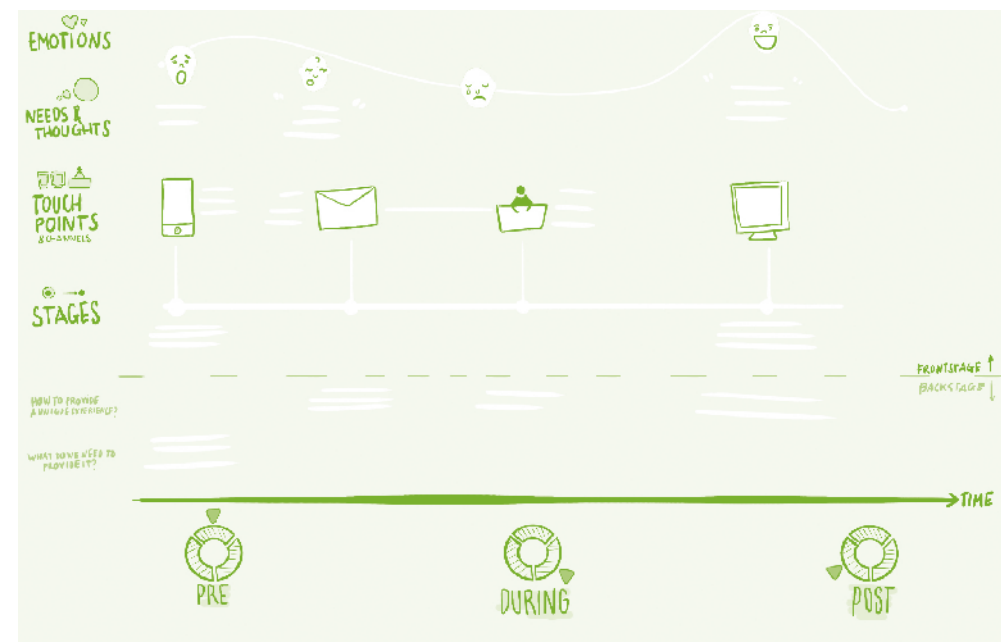
The customer journey map is an oriented graph that describes a user's journey by representing the different touchpoints that characterise his/her interaction with the service or product. Customer touchpoints are our brand's points of customer contact, from start to finish, as they are not limited to the act of buying. Instead, they occur over the entire process that will lead the consumer to choose our company and then buy our offer: 1) perception: consumers must be aware of the existence of our business; 2) evaluation: consumers evaluate our business and compare it with competitors; 3) buy: consumers finally choose our business among others and decide to buy our product/service; 4) deliver: consumers get the product and use it; and 5) after-sale: the relationship between our business and the consumer usually remains in the form of an after-sale service for example.

For example, customers may find our business online or in advertising, see ratings and reviews, visit our website, shop, or contact our customer service. Seems like a long list, but these are just a few of our touchpoints! We must identify them and start getting feedback as soon as possible in order to improve the customer experience, which is essential in modern businesses. The good news is that most of them are within our control! In this kind of visualisation, the interaction is described step

by step, but with a stronger emphasis on some aspects such as information flows and the physical devices involved. At the same time there is a high level of synthesis in other aspects: the representation is simplified through the loss of redundant information and the deepest details. First, we map every touch-point we have with our customers at the stages of perception, evaluation, purchase, delivery and after-sale. Second, we analyse the (positive, negative, or neutral) feelings, emotions and thoughts our customers have at these stages, in relation to our business. Finally, we correct those aspects of our business that negatively affect customers by providing calming elements to alleviate their negative feelings, as well as adding value to reinforce positive points that make them enjoy positive feelings. Customer journey maps are typically focused on the front stage encounter from the customer's point of view but as an audit it would be great to see a complementary version demonstrating the connections with the backstage support processes.

Mapping the customer journey represents a powerful approach for customer-centred action and innovation. Remember that creating a business is not about matching our desires and expectations, but satisfying our customers' needs.

Mapping the customer journey represents a powerful approach for customer-centred action and innovation.



Customer journey map.

Channels

Channels include all means of communication and distribution to reach customers and deliver a value proposition to them.

You should list a set of channels related to each customer segment if they differ substantially. Most of the time, you will have to distinguish between the way to get the customer's attention and how to establish and maintain a close relationship with them.

Channels include all means of communication and distribution to reach customers and deliver a value proposition to them.

Communication channels

The objectives of communicating are 'reputation' (make known), 'image' (make loved), 'sell' (make purchased). Sincerity is vital for effective communication. Channels can be online and offline, and customer communications can include letters, catalogues, direct mail, e-mails, text messages, webs, newsletters, face-to-face meetings, etc.

Distribution and sales channels

They can be mass market, wholesaling, retailing, mail-order, doorstep selling, e-commerce and web/mobile channels. We usually differentiate between direct channels, where the manufacturer sells directly to the consumers, and indirect channels, where the manufacturer gets the help of one or more intermediaries to move goods from the place of production to the place of consumption. Intermediaries can be described in 3 groups: independent retailer, large retailer (hypermarket, large specialised store, etc.), associated trade (commercial franchise, retailers cooperative, etc.). Our salespeople are our primary source of revenue. They are also our link to our customers.



Tips for trainers

Encourage the entrepreneurs to think of all sorts of channels to reach their customers and encourage them to take advantage of the internet potential to interact with them. It is a great platform for establishing relationships with stakeholders in a cheap and fast manner.



Tips for green entrepreneurs *Consider the Web 2.0 revolution!*

The internet revolution has emerged as the new reality affecting social and economic life, as well as the way we do business. Most of the communication and marketing channels have a web 2.0 component. Each internet user is potentially a customer. Social networks, organised by topic, interest or affinity, are the sounding-board of marketing trends in real-time. Customers go on the internet and look for consumer reviews before purchasing. Do not underestimate the power of web 2.0 technologies in your green business model, especially when you target a market that goes beyond the local level.

Metaphor Box

Channels are the means (or ways) you use to serve and deliver the meal to your guests who are waiting for it (you may serve the food in individual dishes or serve a big tray with all the food and they serve themselves). They are also the physical or intangible ways you use to communicate the nutritional information, the special recipe value or the effort you made to prepare it.

The relationship is about how much love or attention you have with your guests. A fast food chain, for example, does not have a strong relationship with consumers since it is an almost self-service approach, customers are served as quickly as possible, but in a 5-star quality restaurant, an elegant waiter opens your bottle and entertains you telling you the story of the wine you are drinking as if you were the most important client ever. That is a very personal interaction service, with a special unique relationship.

MENA Example

‘Quality is good, selling is better!’

Photo: World bank



Description

Company name:
Biome Solar Industry

Country:
Tunisia

Activity:
*Production of Solar
Water Heaters*

Year of creation:
2007

Start-up capital:
188 000 €

Entrepreneur:
M. Ahmed Ernez

The Tunisian government has been promoting solar thermal energy through financial incentives (subsidies and loans). It has plans to foster the use of solar thermal energy in industries and buildings by means of new public support and regulation.

In 2007, Mr Ahmed Ernez estimated that the Tunisian context was offering good business opportunities in the sector of solar water heaters for home applications, so he set up Biome Solar Industry, a manufacturer of solar water heaters (SWH).

Striving after a leading position in Tunisia, he was the first Tunisian manufacturer to get his products labelled with a European standard (Solar Keymart) that attests the quality and performance of the SWH. Because his main target was initially private households, the challenge was to attain them, make them aware of the solution, and persuade customers to buy it. The best way was to develop an extensive network of installers throughout the country. In this case, the distribution channel has been of primary importance for the company's success.

MENA Example

'Web 2.0 in service of local development'

Photo : unknown



2.4 Customer relationships and channels

Description

Company name:

Taziry Ecolodge

Country:

Egypt

Activity:

Ecotourism

Year of creation:

2007

Start-up capital:

(Not available)

Entrepreneur:

M. Faisal Chaabi

The Taziry Eco-lodge has been built in the oasis of Siwa, situated in the western desert of Egypt. Due to its historical and cultural richness as well as the surrounding natural environment, Taziry Eco-lodge represents a unique accommodation destination for tourists in search of authenticity. The founder of the lodge, Mr Chaabi, wanted to ensure that the design and activities of the lodge integrated perfectly in the landscape and local traditions. For this reason, he decided to set up this eco-lodge following traditional, environment-friendly methods of construction, together with other strategies such as the use of solar energy for electricity and hot sanitary water, and an adequate solid waste management program. In addition, an organic farm produces meat, fish, fruits and vegetables that are cooked for the tourists. Besides its own activities, the Taziry Eco-lodge involves a large number of stakeholders through educational, art and cultural programmes.

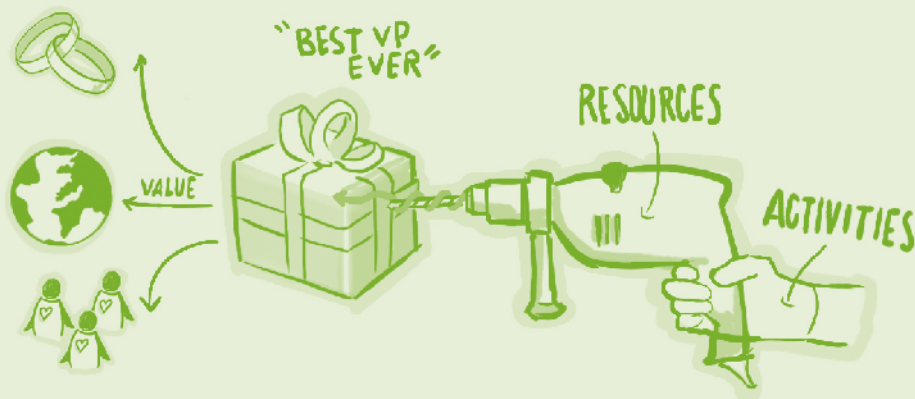
In spite of its remoteness, Mr Chaabi decided to use the latest communication tools to reach his customers. The internet-based social media, together with international directory listings and active promotion through a website, have succeeded in attracting the interest and meeting the needs of the new generation of 'web 2.0 tourists', who eagerly search for information before making their destination choice. Nowadays, Taziry Eco-lodge is highly regarded on internet-based tourism portals such as Trip Advisor.

2.5 Key activities & key resources

Everything we need to create, deliver and innovate a unique value proposition for a specific targeted need/problem and/or customer segment



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Key activities and resources are key ingredients for maximising value for customers, stakeholders, and natural ecosystems, while minimising economic, social and environmental costs.

The challenge here is maximising value for customers, stakeholders, and natural ecosystems, while minimising economic, social and environmental costs.

Summary

Key activities (KAs) and key resources (KRs) are all the tasks and resources we need in order to generate, innovate and manage the value we are creating and delivering to customers, other stakeholders and environment. The challenge, in this block, is to provide the best possible solution, maximising value for customers, stakeholders and the natural ecosystem and minimising economic, social and environmental costs. To do so, KAs and KRs need to be focused on the business lifecycle to spot critical points and promote innovative ways of doing business through a product and service offer.

Expected Results

Here we expect to obtain a list of key activities and key resources, and a set of eco-design cards that report information about applied eco-design strategies and the environmental performance of our products and services.

Go to exercise 13. Key Activities and Resources (Workbook, pp.76–77)

Go to exercise 14. Ecodesign cards (Workbook, pp.78–105)

When done, you will be able to go to exercise 15. (Workbook, p.122) Summary in order to sum up the previous work on customer relationships and channels, and key activities and resources.

Key activities

Key activities are all procedures, tasks and operations we need to do in order to offer the value proposition.

They are a kind of ‘to do’ list of actions organised by the different areas of our business. For example, sales will include any activity that makes the commercialisation of our product ‘real’, such as marketing, mailing, social networking, fairs and events organisation and so on, with all the tasks and procedures they already included.

Key Activities can be categorised as follows:

Key activities define what we must do in order to define and offer a value proposition to a specific Customer Segment

1. Problem-solving consists of using generic or specific methods, in an orderly manner, for finding solutions to problems. It is a compound of approaches that help to organise and prioritise the way we deal with challenges. Some examples of problem-solving activities are consulting and counselling, service or product design where there is a main intellectual and intangible activity.

2. Production consists of all the activities that use resources to create a good or service that is suitable for use and exchange in a market economy. This includes agriculture, crafting, manufacturing, storing, shipping to customer and packaging and it can also include service supply such as banking (operations are some form of intangible production), tourism and real-estate activities.

3. Platform/Network/Sales activities consist of all the activities we need for creating a collaborative environment (could be physical or digital) where value is exchanged. It is about maintaining a profitable operational network to reach the consumer, promote sales and communicate with stakeholders. Some examples are goods and services marketplaces or web communities for environmental or social causes.

4. Supply chain management defines all the tasks we need to manage material purchases, third-party services, renting facilities or other types of supply necessary for our main operations. Green procurement, for instance, becomes a key factor for guaranteeing a sustainable supply chain and increasing the global value of our value proposition.

Key resources

They are all the resources that are necessary to create value for the customer. They are considered an asset to a company, which are needed in order to sustain and support the business. These resources could be human, physical, intellectual and financial.

Key Resources (the supporting capital of our business) can be categorised as follows:

Key resources represent all the elements and aspects that are essential for making the business work properly



Tips for trainers

An entrepreneur may define a value proposition for each customer segment he has identified. In that case, there may be specific activities and resources in order to deliver that specific value proposition. However, it is also possible to prepare a list of activities and resources for the whole business and not for each of the value propositions and segments.

1. Human resources. It is the amount of talented, enthusiastic and skilled people you rely on to launch, manage and run your business. The list of people who are really important, the core of our project. Optimism, generosity, leadership, creativity are a few of requirements of a 360-degree entrepreneurial team. Beyond classical work roles, manager, technicians, sales force, we recommend you create a 'dream team', a human biodiversity of aptitudes, skills, passions that are key to the success of your project.

2. Physical assets such as manufacturing facilities, buildings, vehicles, machines, systems, point-of-sale systems, and distribution networks come into this category. Large retailers rely heavily on physical resources, which are often capital-intensive. We will discover more about physical resources in the eco-design process in this chapter.

3. Intellectual resources are brands, proprietary knowledge, patents and copyrights, partnerships, and customer databases. All are increasingly important components of a strong business model. Intellectual resources take time to engender and develop. Consumer goods companies rely heavily on their brands. Others depend on software and related intellectual property that is continuously being developed. A supplier of chipsets for broadband mobile devices built its business model around patented microchip designs that now earn the company substantial licensing fees.

4. Financial resources. Some business models depend heavily on financial resources and/or guarantees: as cash, lines of credit, or a stock option pool for hiring key employees. A giant telecom manufacturer will opt to borrow funds from banks and capital markets, for example, using those funds to provide vendor financing that in turn ensures orders are placed with that company rather than with competitors.

Metaphor Box

Defining key activities and resources could be like thinking HOW to prepare a meal for a friend: all the tasks, operations and resources you need to consider.

Beyond a few good ingredients (materials and resources: different types of vegetables, energy, water and spices), you need a place to cook (infrastructure: kitchen with some tools), an efficient way to process the ingredients (production: cooking) in order to prepare your meal and deliver it to your guests (distribution, sales and service: presenting and serving the dinner, entertain guests). After eating, you need to dispose of the organic waste and bag packaging that gets left along the way (end-of-life management: compost the food waste and recycle the plastic bag packaging).



MENA Example

‘Using cheap, local and easy-to-find natural materials is the key’

Photo: World bank/ Yosef Hadar



2.5 Key activities and key resources

Company name:
Au grain de sésame

Country:
Morocco

Activity:
Eco-design and Art workshops

Year of creation:
2008

Start-up capital:
(not available)

Entrepreneur:
Asmaa Benachir

Description

Au Grain de Sésame is a social enterprise producing ecologically sustainable arts and crafts. Founded in 2008 by artist Asmaa Benachir, today Au Grain de Sésame features an expansive art gallery, a literary café, and a production workshop for training in eco-artisanship.

Their most important activities are:

Informal training for the women of the Rabat-Salé Medina.

Sale of handmade crafts.

Supply chain management.

Cultural networking and co-creation.

About the main resources they manage and use, we have:

Physical materials such as paper, dyes, common goods (such as chairs or pots) and infrastructures such as the shop and the workshop.

Digital and intellectual, such as a weblog where they tell their story and promote sustainability and social awareness.

Eco-design: a step towards eco-innovation

More than 80% of environmental impact and costs of products and services are determined at the design stage, and here we have the advantage of considering 'eco' when conceiving a new product or service.

Eco-design is a methodology that helps us include effectively environmental criteria in the design stage of our products, services and business models. The potential and room for manoeuvre and improvement is clear. Early interventions give much more freedom and make it possible to create new solutions that are far more effective and innovative. Consequently, following the eco-design methodology will offer new areas for innovation.

Eco-designing a product or service is about the application of strategies that allow us to reduce the negative impact of our products and services, which are related to the necessary activities and resources, while generating more value for customers and stakeholders.

An example? If we are selling goods, such as furniture, we could think about reducing the weight and volume, eliminating the packaging or redesigning the product to be sold disassembled reducing transportation costs and environmental impacts.

To start applying eco-design, we recommend sketching the big picture of our business ecosystem with any element involved in the life cycle of our product and service solution. This life cycle thinking approach is based on 8 steps we will be discussing in the following pages.



Tips for trainers

Eco-design is not a compulsory step to be a 'green Entrepreneur', although it is very recommendable. A green entrepreneur can focus on creating environmental value while running an economically-sound business. However, eco-design could contribute to enrich the project and as a means to open the doors of eco-innovation and increasing differentiation against competitors.



Tips for trainers

Product, service or both? Green entrepreneurs will be asked to declare if their value proposition is based on a product-service system (PSS) or a service only. In that moment, don't forget, that most of the time, a product is connected with its own service and the other way around! For example, if a green entrepreneur is farming and selling agricultural products, he/she should eco-design the service too, like customer experience, channels and customer relationship issues. On the other hand, a services provider, like a hotel, is also providing products and physical resources (soap, towels, water, energy...). This is important, since there is a deep interrelationship between products that needs services to be sold and used and services that need physical infrastructure and products to be delivered and used properly.



Tips for green entrepreneurs *Partner with your supply chain*

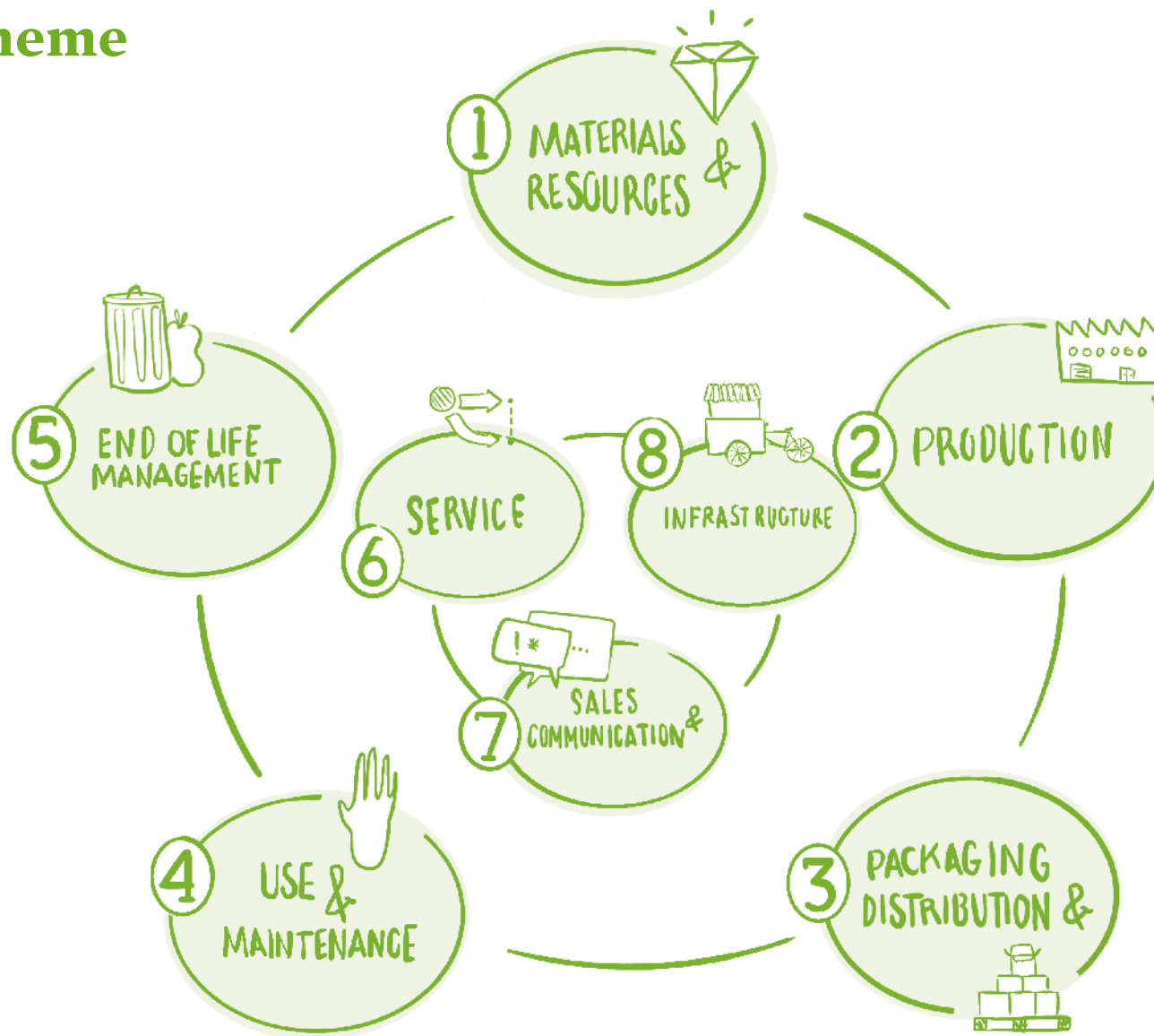
You can also try to promote sustainability through your supply chain, pushing your suppliers to be more aware about eco-design and asking them to incorporate eco-design strategies. You can involve them in co-creation processes to align eco-design strategies towards a common purpose.

Metaphor Box

Eco-designing a product or a service is like considering, within the recipe procedure, strategies such as including ingredients from organic agriculture (choosing more sustainable materials), using efficient cooking devices (improving efficient technology) or avoiding waste once the food is ready (design for minimising waste).

In this way we can incorporate environmental value, savings resources and avoiding pollution, etc. In other words, we can make our product/service more environmentally friendly, an important aspect that increases our competitiveness!

Lifecycle scheme



Lifecycle scheme: summary of the 8 main steps of the product and service lifecycle.

Eco-design cards: how to use them?

The eco-design cards presented in the workbook are tools to evaluate and improve the way our products and services perform in environmental terms in order to identify room for improvement and environmental innovation.

Eco-design cards are 'fast tracks' where we are asked to environmentally analyse, score and improve our key activities and resources.

There are a total of 9 different eco-design cards, from 1 to 9, where we are asked to answer questions about environmental aspects, score our performance and then apply eco-design and innovation strategies to improve the obtained results.

Tips for trainers



There are a total of 9 eco-design cards. In the case of entrepreneurs working on a Product-Service, they will need to go through all the cards. However, those that will only focus on a service, they will need to go through cards 6 to 9.

We recommend you pay attention to the service (only) cases, since they need physical infrastructures and products to be delivered and enjoyed properly. Thus, there is a deep interrelationship between products and services. Be aware of it in order to advise the GE correctly.

1 EVALUATING



2 SCORING



3 IMPROVING



Each card (from 1 to 8) is structured into 3 parts.

Start with cards 1 to 8

Each card is structured in 3 parts

The first one is evaluating and is about answering 5 main questions about different aspects of product and service lifecycle.

The second part is called scoring and tries to delve deeper into each of the 5 main aspects by answering a set of yes/no questions. For each question we answer positively, we get points. Then, we may sum all the points in order to obtain a score between 0 and 3 points for each aspect. For helping the visualisation of it, we use colours (from black to green) and emoticons (from 'poisoned to happy') as depicted in the picture. This score system gives us hints about the environmental metrics we can use to assess

our environmental performance, communicate and compare results.

The third part is called improving and serves as a blank space to generate ideas that could be applied in our product or service to improve its score. To do so we can get inspiration from eco-design strategies included in the card. Also, the co-creation groups, involving some of our key stakeholders, will help us finding innovative eco-design strategies. Now and here is the right time to think if we can implement changes to get the points we missed during the *scoring* stage. If we are able to apply what we were saying in the explanation box (the second of three parts) we will be able to add more points; if not, the score just stays as it was and we repeat the same number in the *new score* cell.

Eco-design never ends, you can always get better and push the frontiers of eco-innovation further!



Emoticons and colours to emphasise the results.

Finally, add up global results in card 9!

After the completion of all the assigned cards we finally gather the results (coloured emoticons with their points) from part three (*improving*) in a summary matrix where we can calculate the global score. Here, we have an optional blank space where we can add ideas or strategies to improve further.

	1 MATERIALS & RESOURCES	2 PRODUCTION	3 PACKAGING & DISTRIBUTION	4 USE & MAINTENANCE	5 END OF LIFE MANAGEMENT	6 SERVICE	7 SALES & COMMUNICATION	8 INFRASTRUCTURE
A	3	3	2	3	2	3	2	2
B	3	3	2	2	2	3	3	2
C	1	3	2	2	2	1	2	3
D	2	2	3	3	2	1	3	3
E	3	1	3	3	3	2	3	2

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YOUR TOTAL SCORE

	1	2	3	4
00-30	31-60	61-90	91-120	
00-12	13-24	25-34	35-45	



Tips for trainers

An important issue about the score system mechanism you should have clear to avoid misunderstanding during WB exercises is described below.

In the *scoring* part of each Eco-design card, if the GE answers *other* (it means *yes* and *no* are not the right answer), he/she should justify this answer, indicating what has been done about that issue in order to earn the point.

If he/she is just willing to do it, but he/she has not yet applied such strategy, the GE does not get any points.

In the *improving* part, he/she has another opportunity to take action and do something immediately. In that case, the application of an eco-design strategy to his/her product or service gives him/her +1 point to add to the final score (*new score*).



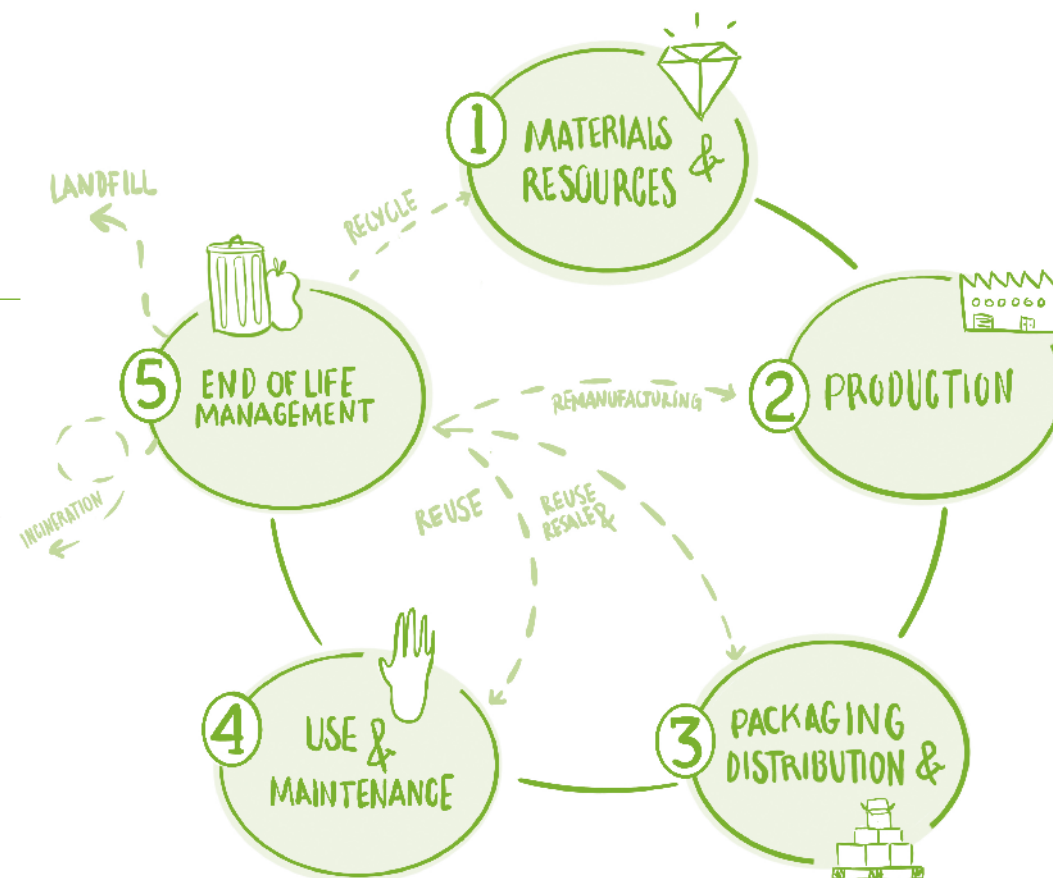
Tips for trainers

How were the GEs scores? The more points they got, the lighter their 'environmental rucksack' and the more sustainable their products, services and businesses! With this score you can encourage a healthy competition between them to foster a deeper engagement to obtain better results. GE could score once and then come back later and update his/her score again if he/she made an improvement.

If you have a product, start here!

Product is the material (tangible, physical) part of our Value Proposition, and it represents the key element a customer is willing to pay for.

The way we conceive our product has to be considered from an environmental point of view, beyond usual criteria (such as ergonomics, cost-effectiveness, safety, aesthetics, etc.). To do so, we need to understand and define the lifecycle steps of our product. As we discussed, earlier, product lifecycle is defined by 5 steps: materials and resources, production, packaging and distribution, use and maintenance, and end-of-life management.



Product lifecycle steps.



Tips for trainers

Remember that the more information the GE gathers, the better he/she knows his/her business and supply chain, so, keep insisting on this issue. The access to valuable information will help GE to spot inefficiencies, discover problems and come up with new ideas for improvement.

Lifecycle steps

In the textile industry, for example, the sandblasting process (a very hazardous surface treatment for jeans) can be replaced by ozone technologies and save up to 67% of energy consumption per unit!

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1. Materials and resources

In this first step, we are asked to identify which type of components, materials and resources we are going to use and where they are coming from. This is an important step where we identify and 'count' everything we need to create our product, considering number, type and quality of materials and any resources (like water or energy...) we need.

In this step, we can seize great opportunities related to raw materials consumption, let's imagine the savings if you provide the same product quality and function with 20% fewer materials or with 100% recycled and cheaper content.

2. Production

In this step, we should identify main production stages (including processes, treatments, manufacturing operations and so on). More complex products, with many elements coming from remote places, add a lot of vulnerable aspects to our business. New efficient technologies, at production stage, can help us to improve the way we craft our

products and services. In the textile industry, for example, the sandblasting process (a very hazardous surface treatment for jeans) can be replaced by ozone technologies and save up to 67% of energy consumption per unit!

3. Packaging and distribution

In this step, we are asked to identify main logistics issues such as distribution, packaging and retail network infrastructures.

The key environmental aspects for this step are related to:

Means of transportation and distances.
Packaging material shape, size and weight.

Innovative packaging design and materials, and new means of transportation are getting commonly used. In many cities, environment-friendly alternatives are working very well. Small and sustainable packages are delivered on foot or by bicycle, a greener way to bring our value to customers.

The application of eco-design strategies in the end-of-life stage may unlock very interesting opportunities for improving environmental performances and obtaining savings or new revenue streams.

4. Use and maintenance

The use phase is related to the customer interaction with the product. It can be split in three main groups:

Products directly using resources (consumables, energy and water, above all) such as a lamp or a laptop.

Products with high maintenance (water, soap, energy...) such as textiles or cutlery.

Products with low maintenance (almost no resource input to maintain them or make them work) such as a chair.

We will focus on the first and second groups, since energy-using products, for example, normally perform badly in this life cycle stage. Promoting shared use, an easy form of repair and a classical design will help us to create a long-lasting product which, like old wine, gets more valuable with time!

5. End-of-life management

This is the end of the product life, but, what happens afterwards depends on the way we

have thought about it in the design stage.

A very good eco-design could make our product practically 'immortal', defying 'obsolescence' (a premature 'end'), completely eliminating the concept of waste towards some kind of 'rebirth' in a new industrial product or safe organic matter back to nature (within the natural recycling system).

The application of eco-design strategies in the end-of-life stage may unlock very interesting opportunities for improving environmental performances and obtaining savings or new revenue streams. Many products can be resold and reused in a cascade of other market sectors, so it is key to rethink the way we design our product or define our service to seize these opportunities. For example, businesses related to the automotive industry started to recover used tyres for urban applications. Something that was a special waste (a cost!) for one industry, become a very cheap raw material for another (savings!). That's great, isn't it?



Tips for trainers

There is an interesting and innovative strategy to consider. The circular economy is moving businesses towards the servitisations of products. Servitisation means, products become services, and owners of those products become users of 'another's' product.

This 'another's' use may be the manufacturer or distributor that keeps the ownership efficiently to provide the access or the experience to users. Servitisation reduces the impact of an inefficient ownership to a more sustainable innovative option for users.

One recent example is car-sharing. More people every day have been changing their perspective, moving from inefficient and costly ownership to a pay-per-hour alternative. In this way, they reduce their environmental impact using the car only where and when it is needed, saving a lot of money too!

MENA Example

‘Old material for embellishing interiors’

Photo: World bank/ Curt Carnemark



2.5 Key activities and key resources

Company name:

DAWAYER

Country:

Egypt

Activity:

Eco-design

Year of creation:

(Not known)

Start-up capital:

(Not known)

Entrepreneur:

Habiba Shawkat, Khadija Radwan, Salma Sherif and Neama El Gawady

Description

Founded by designers, Dawayer is a design studio with the aim of producing eco-friendly products designed with the highest quality standards. Dawayer created a new, unique material made from agricultural waste from the rice harvesting process to produce sustainable and eco-friendly home accessories and furniture, such as lighting units, tables and tools.

Step by step, from production to the end of life, their products have been studied and redesigned to optimise material consumption and apply good practices. Some strategies that have been applied are:

Closing cycles, choosing recycled content (agricultural waste) as raw materials.

Minimising the mass and volume for a more efficient distribution.

Extending the life of the products with a durable and repairable design.

Promoting energetic recycling when the product becomes useless.

These eco-design strategies help them to obtain interesting benefits, from raw materials and transport savings to the reduction of environmental impacts, at the same promoting local industries and avoiding unnecessary waste.

And what about a service?

A service is the action of helping or doing work for someone, a compound of interactions and interfaces that facilitates the performance of certain tasks or the delivery of value. To do so, you will need a well-designed customer experience (what he/she is going to feel, live and interact with) through an effective and enjoyable user interface (that could be a sales channel or your website, for example).

Service is about generating, delivering and exchanging information, emotions and even physical matter. It has something experiential, connected with tangible objects or not. Its peculiar nature, differs from the product lifecycle, since it works simultaneously from two perspectives:

Service is about generating, delivering and exchanging value (information, emotions and even physical matter).

1. Users (our clients): using the service, experiencing and interacting.

2. Provider (us): designing, setting and optimising the experience and usability.

Both perspectives are useful to understanding the 'lifecycle' of the service better. The connection between user and provider is much more responsive and dynamic in time so we can adjust the overall performance and get better by receiving feedback from users.



Tips for trainers

How to explain a service better? This is not always easy, we live surrounded by services but we almost don't notice them.

For a GE who provides a common service such as bike-hire or tourism-related services, it could be easy to explain and understand, but for product-related projects, we recommend you pay attention and encourage them to think deeper about the product-service relationship.

Metaphor Box

The service would correspond to designing the experience provided to your guests, waiting to be served and enjoy the meal.

It represents everything you need to prepare and provide (physically or not) to make them satisfied and comfortable. As you may agree, there is no good meal (product) if you don't serve it and present it properly, is there?

Services are a compound of emotions (your guests enjoying the taste of your meal, the candle light and the music) and a variety of well-designed settings, such as the design of the dining room, the cutlery layout or temperature control and so on.

So, to make it clearer, if you want to provide the most remarkable meal ever, you will be the best host and waiter, not only a great chef!



Eco-designing a service!

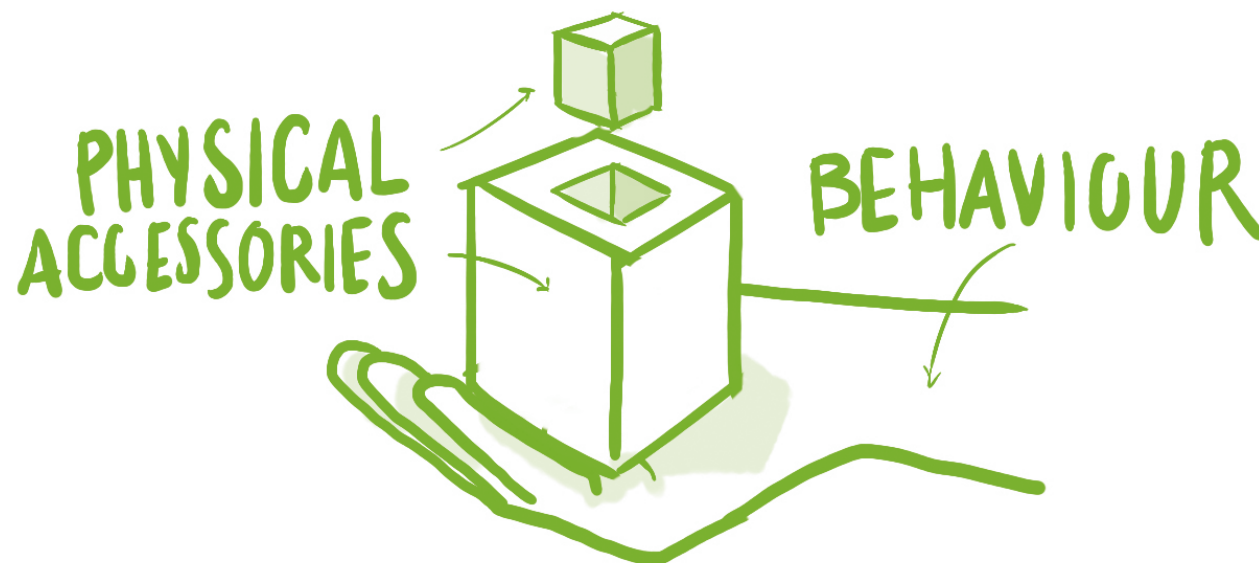
Since we are setting up a green business, we will be focusing efforts and attention on environmental issues related to services. This will not be so intuitive as the product eco-design, since the materiality may be non-existent (but we will find out how to deal with it!).

In order to make this particular challenge clear, we recommend considering two main aspects of service eco-design:

Behaviour is about the way the user interacts within the service, step by step.

Physical accessories are the products and resources that accompany the experience (any gadget or material object used in the service).

By eco-designing our service, we can influence our customers' behaviour and environmental attitude. Whereas it may seem easier to eco-design a product, eco-designing a service offers tremendous opportunities to innovate while bringing higher added value. *l'environnement.*



Service eco-design is about physical components and the way they are used.

So, even if we are providing a service, we should be considering and mapping all the tangible components we need to serve our users.

Service design: Responsible behaviour

The interaction between the user and the infrastructure defines behaviours and modifies habits. Psychological, cultural and emotional factors are very important in the way users experience and enjoy services.

If we want to achieve more sustainable habits from our users, we have to understand them better. Generally speaking, we could recognise a human tendency to get a bit lazier time after time if conditions are right. So, we recommend designing the interaction for the minimum effort, with the least number of steps, clicks or actions possible.

For example, if we want to reduce water consumption in hotel rooms, we could rely on users' awareness or technology, but it would possibly be safer to start incentivising them with rewards, discounts or interesting ideas. Human nature is a complex universe; let's keep that in mind, when we design our service, a way to create chances to obtain more efficient conduct!

Another example could be a mobile app that could help thousands of users to make the

right choice in the supermarket, fostering responsible consumption or informing about organic agriculture.

Service design: Physical accessories

Most common service businesses rely on tangible objects. From paper formats (newspaper, concert tickets, contracts...) to small gadgets and accessories (phone sim cards, credit cards...), from goods (towels, soap, food...) to big products (vehicles, diving equipment, furniture...). The way those objects are produced, used and moved around has a relevant impact on environment and society. As we learnt previously, it is important to evaluate and reduce the negative impacts those products generate. So, even if we are providing a service, we should be considering and mapping all the tangible components we need to serve our users.

In the news or events industry, for example, we have been experiencing a radical move from physical to digital assets, newspapers or concert tickets are moving fast towards dematerialisation.

MENA Example

Using 'green tips' to turn an uncomfortable bus journey into an enjoyable, relaxing experience!

Photo: World bank/ Curt Carnemark



Description

Traffic in Cairo city is considered one of the toughest in the world. Highly polluted, very distressful and chaotic traffic is a big problem in the Egyptian megalopolis. Moving around the city can be a difficult experience. Tayssir Hawary and his team came up with an interesting idea, Tawseela, an innovative bus service offering a relaxing, productive, fun and enjoyable journey on the streets of Cairo. They wanted to create a new transportation alternative, colourful and happy on the outside, bringing a bright spot in the negative traffic environment, while comfortable and relaxing on the inside. It is based on a community and a vision that a journey should make users feel better about their day, not just a ride. How does it work? Members are collected and dropped off at pre-determined points and enjoy a few additional amenities as well. Packages with 10 rides are available, or for a full month, which costs roughly \$130 per month.

The following strategies have been put into practice to foster a renewal in the public transportation offer in Cairo:

Promoting community spirit and encouraging shared use of means of transportation.

Installing green roofs (with plants) to raise awareness against pollution in the city, collaborating and helping solar companies to get visibility.

Co-creating routes with customers that have been inquired about their common commuting routes.

Company name:
TAWSEELA

Country:
Egypt

Activity:
Transportation service

Year of creation:
2012

Start-up capital:
(Not known)

Entrepreneur:
Tayssir Hawary and team

Installing Wi-Fi and painting the vehicle with bright colours to make the experience fun.

Educating drivers to be more aware of traffic rules and drive more quietly reducing passengers' stress.

Selling and communicating responsibly

Communication and sales is one of the most important components of a business project since they aim to provide customers with the fair value of the entrepreneur work. Accordingly, we should be ready to go out and sell our products and services. Actually, we know better than anyone else what our product/service is about!

Without a good seller, you have little chance, even with the best product ever.

Some specific markets may also demand this sort of labelling, which makes it a requisite for accessing these markets. Stay tuned and look for eco-labelling opportunities!

Transparency and traceability

For responsible communication, transparency and information are important. If we expect to sell something 'eco' or 'green', consumers want to see what lies behind green products and services, so be prepared to be asked for more information.

Consumers want to see what lies behind green products and services they pay.

Green marketing

It refers to the process of selling products and/or services based on their environmental benefits. Thanks to green marketing, green products and services can be more successful in the market and reach new customers and/or be better positioned.

Green labelling (or eco-labelling)

It helps consumers to easily identify products and services that have a reduced environmental impact throughout their life cycle. In most cases, it is a voluntary choice, although in others it is mandatory depending on the country's legal framework. Products such as electrical and electronic devices, chemical products or even buildings can be pushed to have an eco-label to comply with legal requirements or market demand. Some specific markets may also demand this sort of labelling, which makes it a requisite for accessing these markets. Stay tuned and look for eco-labelling opportunities!



Tip for green entrepreneur Communicate wisely

If you are interested in certifying your product you can learn more about available eco-labels, their technical and legal requirements and their costs.

However, we recommend you start easily with a self-declaration environmental claim. It is a faster and cheaper way to communicate the environmental benefits of your product or service!

MENA Example

How can 'green' concern anybody...

Photo: Unknown



Description

Company name:
O'DAssia peintures

Country:
Morocco

Activity:
Production and commercialisation of green paintings

Year of creation:
2007

Start-up capital:
1.1 million Euros

Entrepreneur:
Mr. Abdessamad Jennane

O'Dassia Peintures sells building paint that is solvent-free and entirely based on water. Mr Abdessamad Jennane, the founder of the company, has positioned his offer on a highly competitive market in Morocco, where the ecological paint market remains very lightly exploited.

But consumers still have to be informed about the benefits of green products, and strong sales arguments have to be found. Therefore, Abdessamad focused his communication on health and safety:

Solvent-free O'DASSIA products reduce the risk of asthma and allergies and avoid nasty odours during and after the painting.

Drying time is reduced from 48 hours (solvent paintings) to 1 hour.

Maximum safety due to non-inflammatory components.

He also points out technical performance specifications (washable painting, unalterable colour, ease of application of a solvent-free aqueous painting).

Those sales arguments come to explain what 'green' means, by reminding consumers of the issues they may have when using paint for personal purposes, and informing them about safety issues in order to provoke 'new' concerns.

Infrastructure-efficient management

Business and infrastructure management is related to creating efficient value not directly from products or services but from wiser management of facilities (hotels, offices, shops, etc.), basic infrastructures and business operations methods. Examples include energy and water efficiency policies in our offices and changing workers' habits or avoiding printing.

Infrastructure-efficient management is about how we manage our infrastructures and our business more sustainably. Thus, it is related to creating sustainable value not directly from products or services but from wiser management of facilities (hotels, offices, shops.)

Digitalisation

Nowadays, with the information technology revolution, you might have noticed that many businesses shift from a material world to a more virtual one. To do so, many companies and entrepreneurs have chosen to move everything on to digital and teleworking and online applications are growing up exponentially, giving co-workers much time and more sustainable lifestyles, avoiding daily commuting. That's a good way to start reducing infrastructure impact!

Green procurement

Green procurement means getting the strategic assets we need from specific green suppliers,

usually known for their environmental policies or awarded with green labels. It represents an interesting opportunity to be explored. Green products, services and infrastructures can be bought, hired or rented to provide customers with environment-friendly solutions. Having a green procurement policy in our business is about reinforcing our green essence with facts, and can be very useful for green marketing purposes!

For example, in the ecotourism industry many hotels are already using environment-friendly (and often eco-labelled) soap, chemicals and hygiene products to provide a coherent experience to their users.



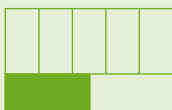
Metaphor Box

Sales and communication, would represent the way you seduce your guests and make them taste and appreciate the value of your dishes. Your ability to provide them with interesting and trustful information is key. Transparency about the recipe and cooking process is adding special value to your work, it will be greatly appreciated by your guests.

As far as infrastructure-efficient management is concerned, we could think about the dining room, about the way you manage lighting, temperature and ventilation. To improve these aspects, you could even start with a smart trick and save a lot of energy and water.

2.6 Cost Structure

Keep a well-balanced cost structure, particularly with low fixed costs, in order to launch your initiative as quickly as possible!



Summary

A business has many different costs, from paying for raw materials to paying rent or wages. By carefully classifying these costs (fixed and variable costs) a business can analyse and improve its performance. In this chapter/section, we review concepts that are essential for the proper management of our business and a great help for making better-informed decisions.

It is really important to hold a well-balanced cost structure do as not to fail.

Expected Results

Here we expect to get a first approach to management accounting that allows us to sustain our business properly. It is really important to hold a well-balanced cost structure do as not to fail. We can also innovate here, by reducing our cost structure, particularly fixed costs, through the implementation of certain mechanisms/tools that reduce costs.

Go to exercise 16.
 Cost structure
 (Workbook, pp.124–125)

Fixed vs. variable costs

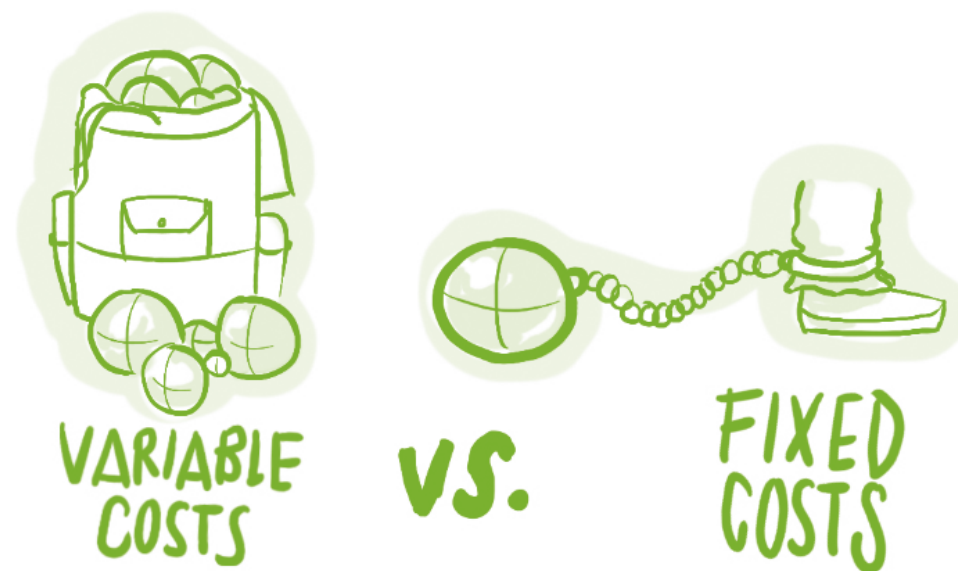
The more costs you can put on the variable cost side, the better!

Cost structure refers to the types and relative proportions of fixed and variable costs a business incurs. Variable costs change in proportion to the amount of output produced. Fixed costs remain the same, no matter how much the business produces. Examples of variable costs: raw materials, workers' wages (if they are temporary workers), energy/fuel for machines. Examples of fixed costs: rent, salaries of head office workers, heating and lighting, insurance, interest of loans.

We use cost structure to determine prices, if we are using a cost-based pricing strategy, as well as to highlight areas in which costs might potentially be reduced or at least subjected to

better control. We can alter the competitive position of a business by altering its cost structure, not only in total, but between its fixed and variable cost components. For example, we can outsource the functions of a department to a supplier who is willing to bill the company based on usage levels. By doing so, we are eliminating a fixed cost in favour of a variable cost, which means that the company will be able to earn a profit at lower sales levels.

Particularly when launching a start-up and not much money is being made, customers are still to be attracted, etc., it's really important to have a cost structure with fixed costs as low as possible.



Variable costs (raw materials, energy/fuel for the machines, etc.) and fixed costs (rent, salaries, heating, lighting) determine our cost structure.

Direct vs. indirect costs

Direct costs are costs that can be identified directly with the production of a good or service; e.g. raw materials. Indirect costs are costs that cannot be matched against each product because they need to be paid regardless of whether or not the goods or services are produced; e.g. rent of the building/offices.

A business can measure the outcome of a decision by comparing it with the benefits (probably measured in profits or revenue) it could have had if it had taken the next best option.



Tips for trainers

It is important to make green entrepreneurs aware that the cost structure is directly related to the key activities and resources that have been previously defined, which in turn, are related to the value proposition. At this moment, the entrepreneur will realise the costs related to their purchase and implementation. If something is not affordable, the entrepreneur can always go back and revise the activities and resources that have been defined. This is an iterative process. And remember that any change may have an effect on the entire business model!

Opportunity cost

An opportunity cost is the loss of potential gain from other alternatives when one alternative is chosen. A business can measure the outcome of a decision by comparing it with the benefits (probably measured in profits or revenue) it could have had if it had taken the next best option. The opportunity cost of buying a new piece of machinery might be compared with the benefits of spending the money on a new advertising campaign, for example.



Tips for green entrepreneurs *Alleviating start-up capital*

You do not necessarily need high investments to launch a product/service. Development cost can be alleviated in different ways, as you will see later. Moreover, don't think you need to develop every part of your project: finding the right partner to outsource your activities can help you save a lot of time and money.

Metaphor Box

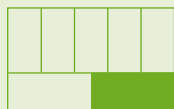
Costs are like your expenses in cooking, heating, ingredients, property rent, etc. They are fundamental factors in defining the quality and possibilities of the meal you're cooking. Higher costs (better ingredients, better kitchen tools, etc.) probably mean a better meal, but not everybody may be able to afford it (if you fixed a price for the meal, in this example). They affect the value proposition and the quality of your meal, but they also affect your audience

If we are preparing a meal for friends, some examples of fixed costs are paying the rent of our home, having the kitchen equipped (oven, fridge, etc.) or having nice plates and tablecloth. On the other hand, the variable costs would be the money spent to buy the food and drinks for the meal. Similarly, direct costs include the food, and indirect ones include the rent. The opportunity cost, in this case, could be the amount of money we did not earn on that day because we were busy preparing the meal and could not work.



2.7 Revenue streams

Define where your revenue streams come from, and maximise them from each of your customer segments!



Types of revenue streams (from left to right): usage fee (accommodation in an eco-lodge), asset sale (an ecological product or an eco-washing machine), advertising (banner of an ecological product/service) and renting (electrical car).

The introduction of new pricing, billing and ownership strategies can introduce a competitive advantage that is very difficult to replicate.

Summary

Revenue streams are the building block representing the cash (not profit, which is revenue minus costs) a company generates from each customer segment. Innovative revenue alternatives find a fresh way to convert a company's offerings and other sources of value into cash. The importance lies in understanding what customers and users actually cherish and where new revenue or pricing opportunities might lie. Innovative revenue-gathering models often challenge an industry's assumptions about what to offer, what to charge, or how to collect revenues. These assumptions remain, in many cases, not reviewed for decades. The introduction of new pricing, billing and ownership strategies can introduce a competitive advantage that is very difficult to replicate.

Expected Results

Here we expect to define the different ways we may generate incomes from each of our customer segments.

Go to the exercise 17.
 Revenue streams
 (Workbook, p.128).

After this exercise, you will be able to compare the cost structure and revenue streams to assess the potential profit your business could generate, by means of exercise 18. Summary of costs and revenues.
 (Workbook, p.66)

How to generate revenue streams?

We must have an accurate idea of the importance of each revenue stream and which one best matches a particular customer segment and channel.

Revenue streams are essential in our business and they can be generated in many different ways!

Asset sale

An asset sale is classified as such if the seller gives the buyer absolute control of the property of the product after payment is made. In other words, the product is transferred from one pair of hands to another with payment made in return. For example, when an entrepreneur sells a product (e.g. an organic apple).

Usage fee

The use of a particular service is sold, the amount paid depending on the usage. For example, an eco-lodge charges customers for the type of room and nights occupied. A delivery service charges customers for the delivery of a parcel from one location to another.

Subscription fees

Here, a continuous or repeated access to a service is sold. A gym sells its members a

monthly or yearly subscription for access to its exercise facilities.

Lending/Renting/Leasing

The revenue stream is created by granting someone the exclusive right to a particular asset for a fixed period in return for a fee. Lenders receive recurring revenues, and lessees pay a fraction of the full cost of ownership. Rentals (cars, cottages, farm machinery, etc.) are common examples.

Licensing

Here the content owners retain copyright while selling licenses to third parties. Media companies obtain their revenues in this manner, as do patent-holders of particular technologies.

Brokerage fees

Revenue here derives from an intermediation service performed on behalf of two or more

parties. Brokers and real-estate agents earn a commission each time they successfully match a buyer with a seller. A green entrepreneur can be the intermediary and connector between organic farmers and consumers, providing a platform that makes transactions easier, while gaining a commission each time a transaction is completed.

Advertising

Fees for advertising a particular product, service or brand form the basis of this revenue stream. Newspapers and the media industry generally rely on this approach, which has spread to website advertising and software sales.

Pricing mechanisms

Revenue streams may have different pricing mechanisms, such as fixed list prices, bargaining, auctioning, market dependent, volume dependent or yield management.

For example, fixed prices are based on static variables and remain unaltered. However, they may be subject to discounts depending on the number of items purchased or service required (the price may also be created especially for a particular customer segment). In contrast, dynamic pricing depends on market conditions and it is subject to the power and negotiating skill of the purchaser. In the case of yield management, the price depends on the inventory and time of purchase (as in airline seats or hotel rooms). Here, the big challenge for the entrepreneur will be to set the price according to the strategy.

It would be interesting if you could reflect a little bit here about elaborating your pricing mechanism by interacting with customers and obtaining feedback from them, and about reflecting its real (or expected) value.

It would be interesting if you could reflect a little bit here about elaborating your pricing mechanism by interacting with customers and obtaining feedback from them, and about reflecting its real (or expected) value.



Tips for green entrepreneurs

Be aware of new business models!

Over the last decades, a trend for a more well-reasoned consumption pattern has been growing regularly: buying local, choosing a better quality at the expense of a higher price, fostering short-circuit consumption... We are observing new patterns of consumption, that are led by environmental and health concerns. More particularly, the circular and collaborative economy tends to bring communities and players together, around common objectives that aim at limiting the impact of resources and re-using them in a more efficient way.

New business models can emerge from the new paradigm of the sharing economy. This consists of moving from an economy of ownership to one of service functionality. You may be paid in proportion to the real water savings you are able to achieve thanks to your services (instead of selling water-saving devices).



Tips for trainers

Encourage green entrepreneurs to think of new revenue models beyond the typical asset sale. Let them think if they could get revenues by offering a service rather than by selling products, since it could be an interesting way to reduce environmental impacts while obtaining a continuous revenue.

They can also think of a freemium model, which offers both free and premium services. In this case, most of the users would not pay for the product/services, but they would receive advertising, which represents the main revenue stream, together with the fee paid by those who do not want the advertising or want to enjoy extra-services other users do not get.

Metaphor Box

Revenue streams are the forms of income you need to pay for the ingredients, kitchen tools, heating, rent, etc., and then prepare and cook the meal properly. If your guests paid for the meal you've cooked for them, this would be your revenue streams. If they didn't, then others should have paid for it (public institution, sponsors, etc.) to enable you to purchase the ingredients and cook the meal.

In the case of a restaurant, the revenue would come from the customer's bills. In this case, customers could be paying a fixed price for a menu including appetiser, main course and drinks, or they could be paying a fixed price to get access to the buffet (in that case, they could eat whatever they wanted). Other options could also be available at the restaurant!

MENA Example

'A simple idea for demanding customers'

Photo: World bank/ Unknown



2.7 Revenue streams

Description

Company name:
Ecobike Cycling Vacations

Country:
Israel

Activity:
Cycling tour

Year of creation:
2008

Start-up capital:
8.000 €

Entrepreneur:
*Mr. Amir Rockman and
Tomer Zaksenberg*

Messrs Amir Rockman and Tomer Zaksenberg had the idea of setting up a business in the tourism industry. They based their analysis on a rising trend of tourism in Israel. They discovered a niche opportunity to offer bike tours. Whereas cycling tours were quite popular abroad, no operator was active in that sector in Israel yet.

Because they had no competitors, they had to initiate the market and create the demand. They focused their offer on high-quality services targeted to demanding customers. Their value proposition was built around safety and comfort worries: highly trained staff, effective logistics and the planning of tours required considerable resources: investment costs, running costs, staff costs. The acquisition of bikes, the planning of routes, the communication material and the training of the staff were the main 'fixed costs'. The maintenance of bikes and vehicles, seasonal staff employment, and fuel for transportation represented the major variable costs.

The strategic positioning of Eco-bike Cycling Vacations was clearly on quality, hence favouring small volume. Wise pricing mechanisms needed to be defined in accordance with those high standards: high prices could be charged to maximise the revenue stream. That allowed for a high individual margin for any cycling tour that was sold.

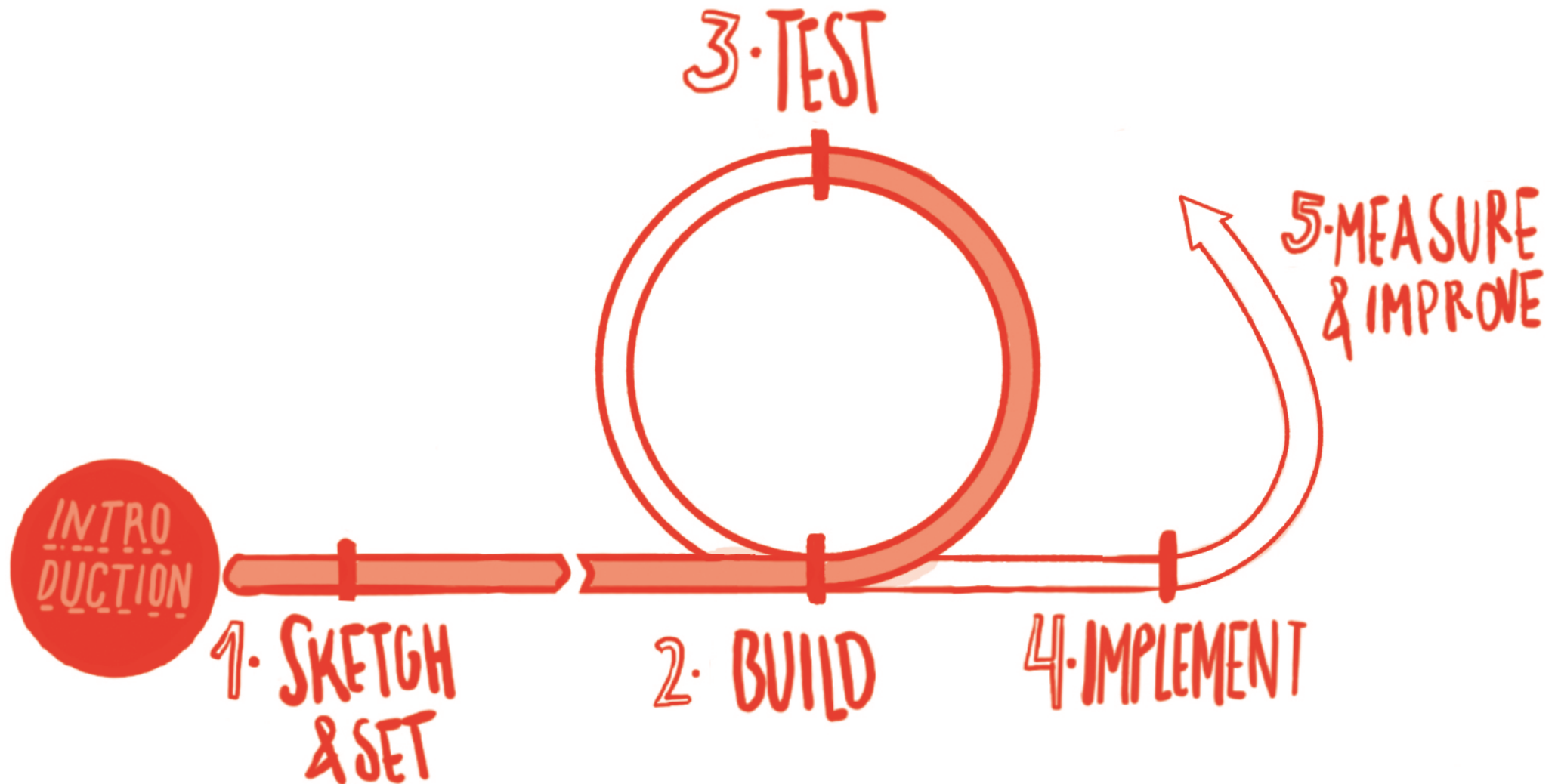
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Test

- 3.1 Test hypotheses
- 3.2 Validate results and scale up

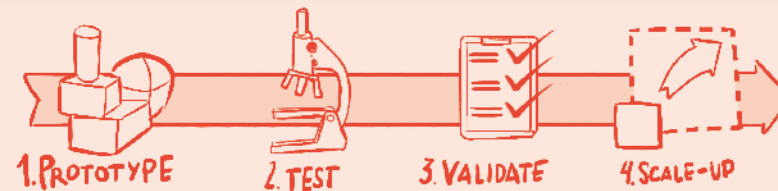
This step deals with the testing and validation of our business solution in the market. As explained in step 2, each key part of the Green business canvas (prototype) requires validating the hypothesis it is grounded upon. Through multiple iterations, in increasingly real market conditions, we are able to refine our prototype until we reach an optimal solution that is market-fit and creates maximal environmental and social value. For this purpose, the strategy adopted revolves around co-creating prototypes together with customers and stakeholders, seeking to increasingly approach their needs and optimise their engagement.

You are here!

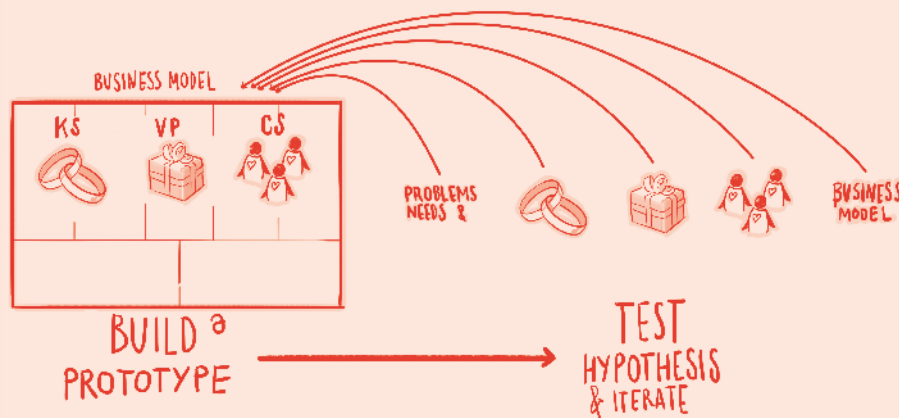


Test your green business model

Prototyping the solution through co-creation and iterative market testing



Iterative testing via a 4-stage approach.



Iterative cycle of green business development: we first build a prototype (Step 2) and then we test and iterate hypotheses on problems and needs, customers, stakeholders, value proposition and business model.

Summary

Nothing replaces reality. When we have a business model to be tested (defined in Step 2), it is time to run tests, validate the results and progressively scale up these tests to get closer to real market conditions. In practice, we build prototypes (approximate business solutions, modelled by the green business canvas) over a series of hypotheses (assumptions the prototype is built upon) that are then iteratively tested in the market, so as to validate or discard them, and continuously shape and re-shape the solution accordingly.

Five fundamental elements require validation: problems and needs, customer segments, stakeholder engagement, value proposition and business model.

Expected Results

Here we expect to define an optimal business solution, in the sense of maximal value creation and engagement, business model viability and market readiness (market-fit).

This means having all the hypotheses fully validated and scaled up to market conditions.

Go to the exercise
19. Business Model
(Workbook, pp.138–143)

3.1 Test hypotheses

We design and execute adequate market tests to check the hypotheses that lie beneath the prototype. To do so, we need to identify and prioritise these assumptions, which are structured around four main areas of the canvas. Each can be subject to a separate test, although some advanced tests can inspect several at once, such as the value proposition and the business model in the case of near-market tests. Every test uses its own metrics and can be run in a number of iterations, as we increasingly approach real market conditions.

Next the five main points to be tested are presented:

Every test uses its own metrics and can be run in a number of iterations, as we increasingly approach real market conditions.

1. Problems and needs

Although there is no 'problem' box within the canvas, this notion is intrinsically linked to the preliminary phases that have been carried out to set the mission and vision (namely, identify problems and needs exercise). Even if the entrepreneur may come with a precise business solution, he should ensure that it is going to meet a right problem. Indeed, he absolutely should avoid wasting time to develop a solution nobody needs. This aspect of problem validation can easily be done, by talking to some experts, or even testing the 'hypotheses of the problem' during the interviews with the stakeholders.

2. Stakeholder engagement

Broadening the scope to the whole ecosystem of stakeholders, our aim should be to verify whether their presumed participation actually fits their own mission and plans. The best strategy in this regard is to co-create the fine details of their 'give & get' exchanges with them until an agreed balance is reached. Consultations, meetings, round-tables, workshops, or events on topics related to the business objectives and where multiple stakeholders actively participate can provide a good measure of their willingness to engage.

Metrics to gauge stakeholder engagement can be built around number of attendants, participation level, enthusiasm on the subject, willingness to engage further and feedback/satisfaction.

3. Customer segments

Seeking to validate customer segments, the green entrepreneur is required to meet real customers and gather data about them to check their needs, aspirations, gains and pains, etc. Metrics are simply given by the (qualitative or semi-quantitative) responses to the inquiries made.

Focus groups, interviews, debates, and conversations on the social media are all valid channels for checking our customers' needs, aspirations, gains and pains. This is also the opportunity to take to test and identify the best customer channels and touchpoints.

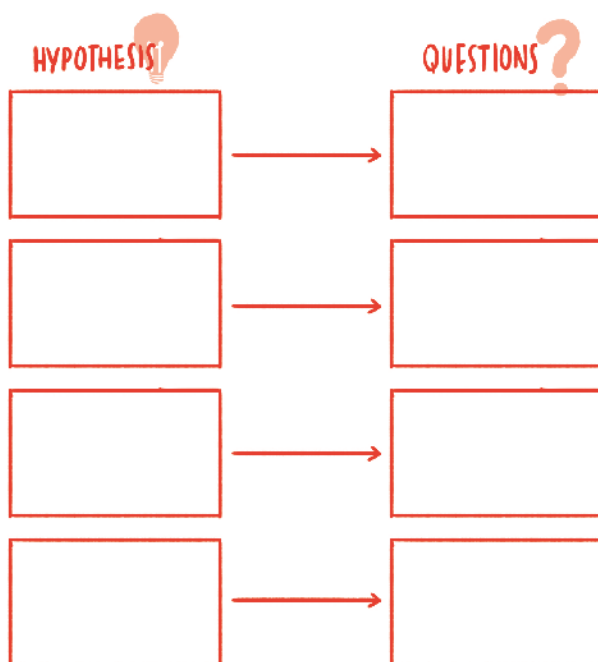
4. Value proposition

Here, our goal is actually to measure the extent to which customers and stakeholders perceive and appreciate the value we create for them. To do so, we need to build prototypes that are capable of delivering some or all of that value to these players. Small-scale or semi-functional versions of our services/products can be of help in this area. Metrics are once again linked to the participants' reaction to the test: satisfaction level, feedback, and curiosity/demand for more.

To check the value proposition we need prototypes capable of delivering it to customers and stakeholders and then gauge their perception and, ultimately, their appreciation of it.

Workbook cards

In the workbook, two different cards can be used to collect information when testing key hypotheses about stakeholders, customer segments and value proposition: the 'Discovery card' and the 'Insights/learnings' card. Thus, these cards may be used to validate our identification of stakeholders and customers alike and gather feedback from them regarding their engagement and acknowledgement of the value proposition.



Identification of hypotheses to be tested and questions to validate them.

The test in focus: the discovery card to collect data, insights and learnings from the test.



Tips for trainers

The testing process in the handbook is presented as Step 3, after the design of the green business canvas (Step 2). However, be aware that at any time entrepreneurs may need to test and validate hypotheses in order to move on. Thus, they may need to validate assumptions about stakeholders, customers and the value proposition while they go through these concepts in Step 2. In practice, this means that when they complete the 'Stakeholder' and 'Customer' cards or when they define the 'Value Proposition', they will need to do field work to validate any assumptions. For this reason, at this stage the entrepreneurs will have already conducted some tests.

5. Business model

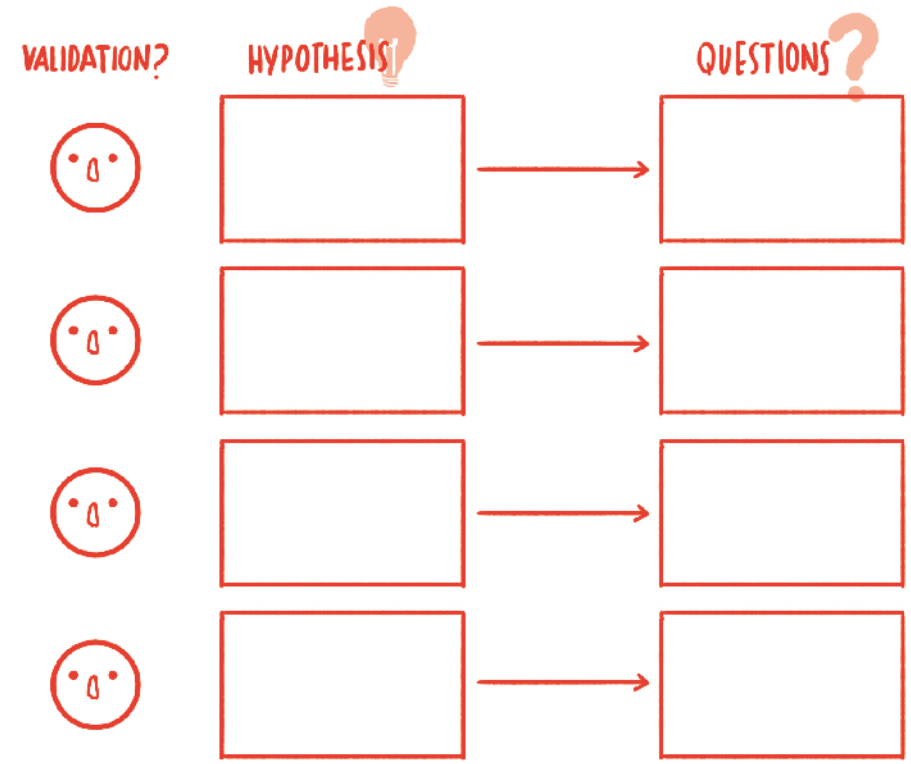
Our objective at this point is simple and clear: to validate the business model, i.e. achieve product/market fit. At this stage, when we have the whole business model, it means that the money factor is added to the equation, which eventually sets the scene for a near-market situation. In addition, the tests about the business model usually also serve to reinforce or question the data collected and tentative conclusions drawn from previous analyses.

In practice, it is the moment to build a prototype that not only transports the value we want to deliver, but also does it in a way that customers are willing to pay the correct prices/rates for it. The tests here are basically selling or pre-selling mechanisms, or even small pilot projects, always with a price signal and a cost estimation. Metrics are

straightforward: on the one hand they gauge costs, including the providers and partners' satisfaction with their return; and on the other, they should make it possible to sketch and evaluate a first version of a business funnel (customers' pathway from attraction to sales): number of customers attracted and engaged, and amount of purchases, for instance.

In order to validate the business model, we build prototypes that transport value in a way that customers are willing to pay for it.

In the workbook, the *Business Model Test Card* serves the purpose of checking the business model that carries our value proposition. It helps us gather feedback from customers about the purchase experience including parameters such as quality, delivery and price.



HOW ARE YOU PLANNING TO GET THOSE HYPOTHESIS TESTED?

The test in focus: setting hypotheses for testing the business model.

SATISFACTION CARD	
QUANTIFY (1 TO 5) LEVEL OF SATISFACTION WITH OUR SERVICE/PRODUCT IN RELATION TO :	
	COMMENTS
MEANS TO PURCHASE IT...	<input type="checkbox"/>
QUALITY...	<input type="checkbox"/>
MAINTENANCE SERVICE...	<input type="checkbox"/>
DELIVERY SERVICE...	<input type="checkbox"/>
OVERALL EXPERIENCE...	<input type="checkbox"/>
PRICE...	<input type="checkbox"/>
<input type="text"/>	<input type="checkbox"/>

The test in focus: the satisfaction card allows to collect specific information about the acceptance of our product/service by customers.

3.2 Validate results and scale up

After carrying out each test we need to assess the results. We may face two situations:

1. If the hypotheses and assumptions are proven wrong, we need to change them by going back to their definition and adapting the business model (rebuild a new prototype after adjusting parameters).
2. If the assumptions are proven right, we are on the right track and in a position to scale up. Be aware that changing an assumption may impact the business model canvas, hence new testing may be done in addition to the previous test phase. For each test, we will have to check if our value proposition is not impacted.



Scaling-up from prototype to optimal market size.

When all hypotheses have been validated (customer segments, stakeholder engagement, value proposition and business model have been validated) we can move on to the last stage of the testing phase: the scaling-up.

It consists of increasing the testing level to closer-to-market conditions. Thus, scaling-up gets us closer to rendering our business viable and operational, or in other words to reaching optimal market size (production level and resources associated). Once again the procedure is based on iterations.

To be operational our solution has to be scaled up from prototype to the optimal market size where viability is attained (product-market fit).



Tips for trainers

The scaling-up stage is ideal for raising funds, since both the green entrepreneurs and the potential investors can easily track the progress of the business as it approaches viability (or not).

Initially, most of the inputs (value of parameters) come from research (market studies) and simulated exercises; whereas, as we proceed with subsequent tests, this information is successively replaced by real feedback (co-creation) from key players (customers and stakeholders).



Tips for Green entrepreneurs *Don't be frightened of failure!*

Failure is a necessary step to success, so learning and improving from it is an integral part of the entrepreneurial process.

Metaphor Box

For the ecological & local food restaurant case, some of the underlying hypotheses and their corresponding tests could be as shown below.

Customer segments:

Hypotheses: do local middle-class families who care about their children's health think ecological food is a good option? Do they care about supporting local farmers? To what extent are they environmentally aware and want to educate their children about it?

Test: a lecture or round table by a prominent speaker (a cook or nutritionist) on the benefits for children of an organic, varied diet. To be held in a convenient place (e.g. a civic centre) in the neighbourhood and marketed in key public places where our target families may pass by. We may check attendance, whether they fit the targeted profile and what their level of interest is and their feedback.

Stakeholder engagement:

Hypotheses: would local farmers be willing to provide their products directly to our restaurant? And engage in outreach/promotional/educational activities such as weekly markets at the restaurant or monthly visits to their farms? Would families like to interact with farmers and learn about their practices?

Test: Participating at a local food fair with a stand offering delicious organic food for all ages and having farmers around explaining their own recipes as well as the way they grow their crops. We may keep count of the number of participants, their level of interaction and interest in further possibilities. Also, talking to farmers about the possibility of engaging in the restaurant project as mentioned.

Value proposition:

Hypotheses: what do our potential customers appreciate most: a diverse menu, quality, taste...? Do they care about the organic and fair-trade certification of the food/restaurant? Do they see the connection between health, environment and community? Do they like and actively participate in the educational and awareness-raising campaigns that are being proposed? Are they interested in learning about traditional agricultural practices? Is a kindergarten service with environment-related games and story-telling of value for them when dining out? As for the farmers, do they see value in promoting themselves through the activities that are organised?

Test: it could be integrated with the previous test, just by adding an organic recipes tasting competition, and extra educational activities involving farmers, kids and families in a lively,

fun atmosphere. We could measure overall participation levels in the different sub-activities, as well as feedback and interest in further knowledge or engagement.

Business model:

Hypotheses: what would be the cost of directly buying from farmers? What would be the resulting prices (to cover costs) and their affordability for the target families? Would it be feasible to collect the money required for the initial investment?

Test: a pre-selling crowd-funding campaign to raise funds for the initial investment required, offering, as a reward, a full meal for a family on launch day at a price that renders the model viable. We could measure the amount of 'donors' in the campaign, which would give a direct estimate of the demand at the price signal set.

MENA Example

'Business ideas surround us'

Photo: Flickr/ Unknown



3.2 Validate results and scale up

Description

Because the local apple market was saturated and the export of raw apples was experiencing a huge recession, Lebanese farmers had to throw away a huge quantity of apples each year, since production was exceeding consumption.

The idea of drying apples appeared to be relevant to avoid food losses. Rabih and his wife decided to make the Lebanese apple chips idea real because they believed it was the right time for such a concept, which has a great social and economic impact on the local community and is a rewarding business for them. Moreover, lots of people were drifting towards healthier eating habits, notably by favouring local food.

The project should boost the country's agro-food industry while supporting apple farmers and offering new job opportunities for the local community. To suit the taste of all people looking for a healthier way of living and eating, Appy's should be available in supermarkets, schools, gyms and even clubs under different flavours.

This idea, although enticing, needed to be confirmed, especially due to the high investment costs required to launch it. They both decided to follow an iterative testing approach: Khalifeh and Moussallem contacted local farmers and dieticians, many of whom had expressed support for their concept. Then they started using a dehydrating machine to test their concepts. Their strategy consisted

Company name:
Appy's

Country:
Lebanon

Activity:
Food industry

Year of creation:
2003

Start-up capital:
(Not known)

Entrepreneur:
Ms. Maya Moussallem & Mr. Rabih Khalifeh

in testing the product in Lebanon at local supermarkets, gyms and schools. The flavour tests indicated that the product was better than other alternatives in the market.

Now they are thinking about expanding abroad, while diversifying their range of products to dried tomatoes and perhaps a cocktail of dried fruit in a bag.

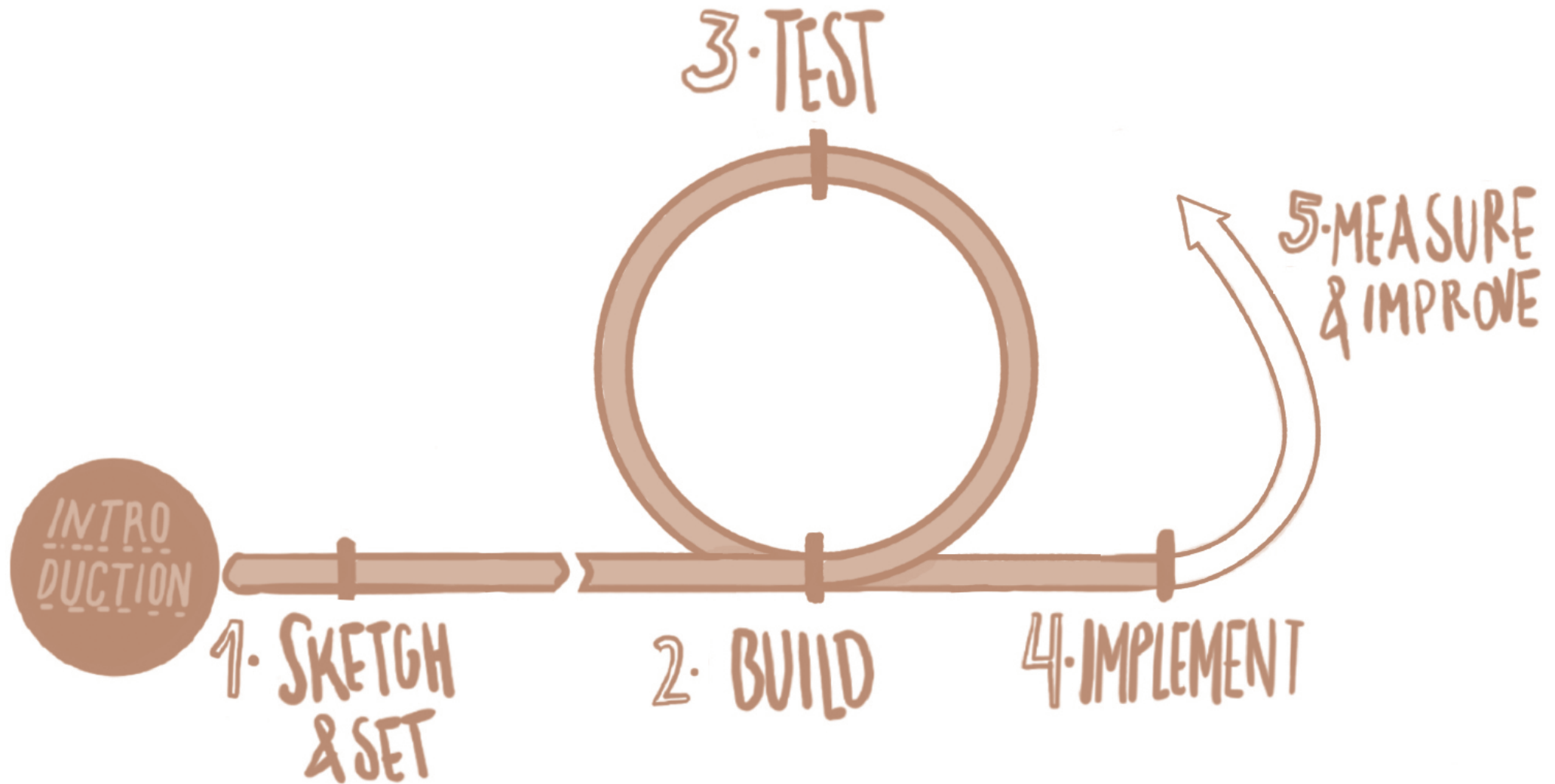
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Implement

- 4.1 Financial plan and funding
- 4.2 Legal management plan
- 4.3 Roadmap
- 4.4 Operation and management plan

Once we have successfully validated the model, we must now carefully plan the development and management of our business, and then proceed with operations. A multi-dimensional approach to planning touches upon every major area of a business, each with its own tool and all working in harmony. Together, they provide comprehensive knowledge of how our business works in the market, and how to manage it and boost its performance. Running a business effectively hence means putting all these tools to good use, both on a day-to-day basis and in the long-term as we pursue the objectives.

You are here!



4.1 Financial plan and funding

Running the numbers to achieve viability and raise funds.

The financial plan balances incomes and expenses, foresees cash flows and estimates the net worth of the company

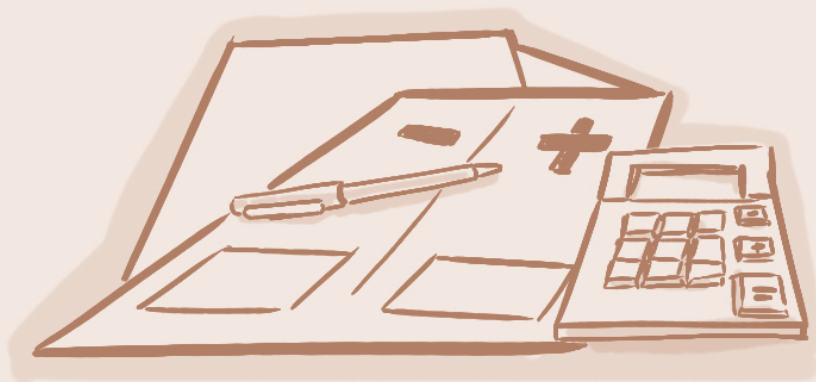


Image representing a financial plan.

Summary

Understanding, raising and properly managing financial resources is a must for any business to succeed and fulfil its goals. Accordingly, to determine the viability (financial feasibility) and readiness for investment of a business idea, we turn to a financial plan and real sales figures (e.g. first year of operations) to back it up and attract potential investors. Besides traditional investors and banks, a new wave of funding mechanisms (crowd-funding, financial cooperatives, micro-credits, ethical banks, etc.) are emerging, well in line with the inherent characteristics of green businesses and growing in popularity and reach.



Tips for trainers

Keep in mind that all the process that the green entrepreneur has been going through so far should provide him with straightforward elements to write down his business plan. Therefore, this 'new generation' business plan will be built on strong, field-proved facts, rather than hypotheses.

Expected Results

Here we expect to obtain a financial plan, which will need to be adjusted in light of real business results when available.

Financial statements

The financial plan consists of three financial statements, with their corresponding analyses:

Income statement

It consists of a pro-forma profit and loss account, bringing together the following projections for the next three years:

- A. Sales forecast: an estimation of sales, on a monthly basis in the first year, and either monthly or quarterly in subsequent ones.
- B. Expenses budget: the actual cost of making the sales forecast. Fixed and variable costs are distinguished, and interests and taxes estimated (forecasting is not accounting).
- C. Break-even analysis: an assessment of financial viability. A viable business reaches the break-even point within a reasonable time frame, and then it is able to generate profits

Balance sheet

It provides information on what the company owns (assets), what it owes (liabilities) and the value of the business (net worth, or equity if it belongs to the owners or shareholders) as of a specific date, usually at the end of the fiscal year.

Cash flow projections

This statement shows physical currency moving in and out of our business. Cash flow is absolutely the king of our business. It is partly based on the sales forecast, balance sheet items, and other assumptions. When launching a new business, we must start by projecting a cash flow statement broken down into 12 months.

Sound financial planning involves forecasting sales and expenses, assessing viability (break-even point), dealing with assets and liabilities, projecting net worth and cash flows.

Expenses

An expense is a particular cost that has been used up while a company is doing its main revenue-generating activities. Therefore, a cost may or may not be an expense. We will illustrate the differences between cost and expense with the following example: let's say your company is in the catering business and will cater its biggest event this evening. In the morning, your company purchased a bit more than it expected to use, just in case it was needed. The paper goods that were purchased had a cost of \$500, and only \$400 of the paper items were used at today's event. The remaining \$100 was put in your company's store room for use at the events to be catered in the next few weeks. In this example, the cost of \$500 consisted of a \$400 expense and a \$100 asset.

Break-even point

The break-even point is the sales volume at which a business earns exactly no money. It is shown graphically as the point where the total revenue and total cost curves meet. From that point on, the company will be profitable.

Management should constantly monitor the break-even point, in order to reduce it whenever possible. Ways to do this include:

A financial plan, backed by real sales figures, determines the viability (financial feasibility) and readiness for investment of a business idea.

Cost analysis

Continuously review all fixed costs, to see if any can be eliminated. Also review variable costs to see if they can be eliminated, since doing so increases margins and reduces the break-even point.

Margin analysis

Please pay close attention to product margins and push sales of the highest-margin items to reduce the break-even point.

Outsourcing

If an activity involves a fixed cost, please consider outsourcing it in order to turn it into a per-unit variable cost; this reduces the break-even point.

Pricing

Try to reduce or eliminate the use of coupons or other price reductions, since it increases the break-even point. Also, increase price points whenever this is acceptable to your customers. Having a proper pricing strategy is a key factor for keeping a low break-even point.

Funding

An integral part of the balance sheet concerns investment needs, or the amount of funds a start-up requires at crucial stages of its development, such as its birth (to be able to operate) or growth (to scale up).

Traditionally, banks (loans), business angels (equity or loans), or the public administration (subsidies or loans) were the major and only sources of funds available for entrepreneurs. Nowadays, possibilities have multiplied and a wide array of non-conventional funding mechanisms has arrived for the benefit of green businesses and the democratisation of the economy, including:

Crowd-funding

a project raises funds (and markets itself) through a myriad of small contributors (the people, the crowd) who, usually by means of an internet-based platform, make donations (incentivised by rewards or gifts), pre-buy products/services or acquire equity. If they acquire equity, then the process is called equity-crowd-funding and the contributors are indeed investors.

Financial cooperatives

a group of individuals come together to set up a cooperative to democratically manage a common fund (addition of savings) and a grants fair and affordable loans to its members.

Micro-credits

small loans adapted to the needs (quantities, return periods...) of small business owners. Financial cooperatives usually offer this type of loan.

Ethical banks

a new banking philosophy sustained on transparency (the lenders know exactly where their money goes), ethical investments (funds are only invested in sustainable projects) and fair and affordable conditions for borrowers.

A wide array of non-conventional funding mechanisms has arrived for the benefit of green businesses and the democratisation of the economy, including crowd-funding, financial cooperatives, micro-credits and ethical banking.



Tips for trainers

Create a Common Size Statement. ‘What’s a common size statement?’ you will probably ask yourself. It’s the income statement, only with each line item represented as a percentage of sales. This is easy to do with a spreadsheet on your computer, but you can do it on a piece of paper as well. Net Sales is always 100% at the top, and each expense is divided by total sales to obtain a percentage. For example, if a company has \$100 in sales and \$50 in cost of goods sold, the common size statement will look like this: Sales 100%, Cost of Goods Sold 50%, Gross Profit 50%.

Create a Year-to-Year Comparison Statement. You can’t evaluate financial statements for just one single year; they have to be compared to previous years. The only formula you need to know for these calculations is: (current year/previous year) - 1 = % change. Again, a spreadsheet makes this process so much easier, but it can be done by hand. Ideally, you should have three or four years of comparison data. This way you aren’t just looking at an exceptionally good or bad year for the analysis.

Look at segmented data. By looking at segmented sales and profit figures you can determine which product lines or operating businesses are growing sales faster than others. If you can, try to find the operating profit for each business segment as well. Then look at the profit margins for each segment of the business. You may be surprised at the different profitability levels of each business segment. Compare the segment with the fastest growing sales versus the segment with the highest operating profit. If these are the same segment, that’s good news. Please refer to one of the sources provided in the section on references for further information and tools. Also, the help of a financial advisor is highly recommended. Business and entrepreneurship centres usually have such a person available.



Tips for green entrepreneurs

Do I have to be rich to set up a green business?

We do not necessarily need high investments to launch a product/service. Development cost can be alleviated in different ways. Moreover, we do not have to develop every part of the project ourselves: finding the right partner to outsource activities can save a lot of time and money.



Tips for green entrepreneurs

Try hard to convince financing institutions!

Because green markets and green business models are not stabilised yet, the finance sector may be reluctant to finance emerging green ventures. It’s up to you to convince them about the economic relevancy of our project.

Whoever the financier or investor you approach may be, the meeting has to be thoroughly prepared. In 5 minutes, you should be able to explain clearly what the value proposition offered is, the clients, how the business will be profitable, and why you are the right team to do the job. If you meet potential investors, know that most often they will base their decision on personality and motivation first, on the credibility of the management team, and lastly the performance of the product/service.

Ideally, you may start mobilising ‘love money’ first (from family or friends) for building up start-up capital. That would ease the way towards financial institutions.

4.2 Legal management plan

Choosing the best-fitting legal form and managing legal aspects

Summary

Businesses operate under applicable laws in each country, which implies abiding by a certain number of regulations and legal requirements. This first of all concerns the moment we begin operations, when we have to decide on an appropriate legal form for our business, including (varying with the country): sole proprietorship, partnership, limited liability company (LLC), corporation, cooperative or social enterprise. Closely linked to the legal form chosen, we must also anticipate and plan the management of all other specific legal aspects we will deal with, such as copyrights and patents, data handling, contracts and terms, etc.

The legal management plan deals with all legal aspects related to our business, including the legal form it operates under.

Description

Concerning the legal form, there is no perfect choice that fits everyone. Our job at this point is to understand how each available legal structure (check for country specificities) works, its pros and cons, and then pick the one that best meets our needs and suits our business model.

The moment we begin operations we must choose a legal form for our business that best fits our needs and suits our business model.

Sometimes start-ups can adopt a progressive approach to their legal status, switching from one structure to another as the business evolves. In this regard, the best initial choice can be an unincorporated form (no separate legal personality) such as a sole proprietorship, or a partnership if various owners are involved. Either one is relatively simple and inexpensive to establish and maintain, and makes good sense in businesses where personal liability is not a major worry.

Then, if the volume of operations reaches a certain level, it may be of interest (economic, fiscal, legal and personal) to evolve into an incorporated legal form (separate legal personality) like an LLC, a corporation, a cooperative or a social enterprise, which set limits on their owners' personal liability for business debts and claims.

Expected Results

Here we expect to define a legal management plan with the legal form selected, the main legal aspects to be dealt with and the managerial procedures for doing so.

Start-ups can sometimes adopt a progressive approach to their legal status, starting by an unincorporated form while they validate their model and scale up, and then switching to an incorporated one as the business grows and matures.

Recently, a growing number of countries are adding the figure of 'social enterprise' to their legal repertoire. It may be presented under a variety of names, such as Community Interest Company (CIC). In general, it represents a good step forward for businesses with a social and/or ecological purpose that want to reinvest their profits for the benefit of the community.

Another legal form of interest is a *cooperative*. A true green business does not just content itself with impacting its community, it also seeks to internally operate as democratically and fairly as possible; these practices that can be favoured by cooperatives. A cooperative society is a membership-based organisation conceived and run for the mutual benefit of its members – serving their interests primarily by trading with them or otherwise providing them with goods, services and facilities – with any surplus usually being ploughed back into the organisation, although profits can be distributed to members.

Specific legal forms can favour the impact and democratic functioning of green businesses such as 'social enterprises' (reinvesting profits in the community) and cooperatives (run by and for its members/workers), which can also be combined.

Nonetheless, almost any legal form can serve the purpose of a green business as long as it clearly applies itself to its mission and empowers its stakeholders, including founders and team members. The founding statutes, pacts among founders, internal bylaws and agreements with partners are all useful tools when it comes to setting a trust-based legal framework.

Almost any legal form can serve the purpose of a green business as long as it clearly applies to its mission and empowers its stakeholders.



Tips for trainers

The availability (or recommendation) of an expert on legal advice, knowledgeable of all legal aspects involved in undertaking a business in the country/region would be a nice asset. Entrepreneurs definitely need a helping hand when it comes to understanding the legal context of the business, analysing and picking the most suitable legal form. Also, depending on the nature of the business, it may also be useful to provide some sort of advice on applicable environmental regulations.

4.3 Roadmap

From vision to reality: laying out our roadmap

Summary

Another dimension of planning involves the time scale, as we seek to outline a roadmap over time that will lead us to our vision. The roadmap deploys our vision over a time scale.

Our ability to foresee the progress and needs of our business as we move along will determine our capacity to evolve, adapt to new circumstances and eventually scale up impact.



A roadmap to our vision.

Expected Results

Here we expect to define a comprehensive 4-year roadmap that materialises our vision into a series of steps or stages and allocates the necessary resources. It is divided into two different periods:

Model validation

a month-by-month roadmap for the first year of operations (year '0'), structured around major milestones and in agreement with the financial plan.

Blueprint

a quarterly roadmap for the first three years of operation (after year '0'), structured around major milestones (same scheme as before), and in agreement with the financial plan.

Model validation: 'year 0'

Even though we may have successfully gone through all the testing, including the scaling-up into market conditions, that does not imply that our model is fully validated. In fact, the first year is critical in the sense that not only do we now need to pass the real test of growth, but also, and probably even more challenging, the reaction of the market to our entry, its evolution and ever-changing nature. Besides, it is also in the beginnings when we build a reputation for ourselves as a player that can be trusted to deliver the value promised to its stakeholders and customers.

The first year of operations is an ongoing adaptation and improving process that will test the strength and potential of our business, and build trust with customers, partners, investors and other stakeholders.

Blueprint: 3 years from now

Let's say, for the sake of simplicity, that after year '0', our business lays on solid ground. Once we have successfully validated our model in year '0', we can set ourselves to the task of devising the blueprint of our organisation, that is to say, the master plan that will implement our vision and scale impact on the objectives. In concrete terms, it comes down to tracing the route for our company to follow in the next 3 years (this period can vary with the sector). Furthermore, we must bear in mind that reality evolves

quickly nowadays, as does the environment our business operates in. By consequence, if we are to confront it, a rapid and effective continuous improvement mechanism has to be put in place (see Step 5. Measure and improve).

By tracing the route for the next 3 years, we are devising the blueprint of our organisation, that is to say the master plan that will implement our vision and scale impact on the objectives.

We must bear in mind that reality evolves quickly nowadays, as does the environment our business operates in.



Tips for trainers

A technique called 'Futures Thinking' can prove useful for outlining the 3-year blueprint, as it allows us to, first of all, imagine the future we want to see happening (and our business contribution to it); then look for signs of that future in the present moment; and lastly focus our strategy and resources on boosting and scaling them up. It constitutes a means of closing the present-future gap and sketching a pathway forward.

■ See Step 5 – Measure and improve for further information and explanation. p.119

4.4 Operation and management plan

Running the business: performing daily operations, managing resources, and seeing the big picture

Summary

Running a business essentially requires preparing, performing and managing operations on a day-to-day basis without losing sight of the big picture (business objectives). In this regard, the operational & management plan anticipates the actions to be carried out and the appropriate conditions for the company to function correctly; it deals with the handling of money and organises manpower and distributes work; it also helps the organisation define itself.

The managerial and operational plan dictates how operations are performed and managed by staff.

Expected Results

Here we expect to define an operational and management plan for the first year of activity (year 0), to be reviewed after that, consistent with the company's mission and in line with the financial plan and roadmap.

Go to Step 4
 in the Workbook
(Workbook, page 147)
 and follow the instructions
 provided by your trainer.

Description

The execution stage is the time when we put aside design and conceptual aspects and get our hands dirty building our products or services, delivering them to our customers and engaging in after-sales activities. Effective performance across the board demands for robust operational and management planning, which should encompass the following components:

1. A management model that comfortably fits the organisation and effectively helps it accomplish its purpose by:

– Setting the overall philosophical and intellectual framework the company embraces.

– Organising manpower (director, board and staff) by assigning roles and responsibilities, ensuring the right people are in charge of the necessary tasks, in accordance with an adequate time schedule to get them accomplished.

– Distributing work in reasonable and equitable ways.

2. A comprehensive set of policies and procedures, developed with those concerned, that covers the five essential areas of management: people; money; supplies and

equipment; activities; and relations with the outside world. In particular, zooming in on activities (*operations*):

– *Location*: the physical place or facilities where the business will be located and its surroundings. We need to explain why this location will be effective, noting any disadvantages or possible problems it may present and what, if anything, will be done to counteract them. If it is a virtual business, the reasons for this choice should be explained as well.

– *Supply chain*: our suppliers, what we buy from them, the agreed terms and conditions, their reputation and alignment with our mission and values.

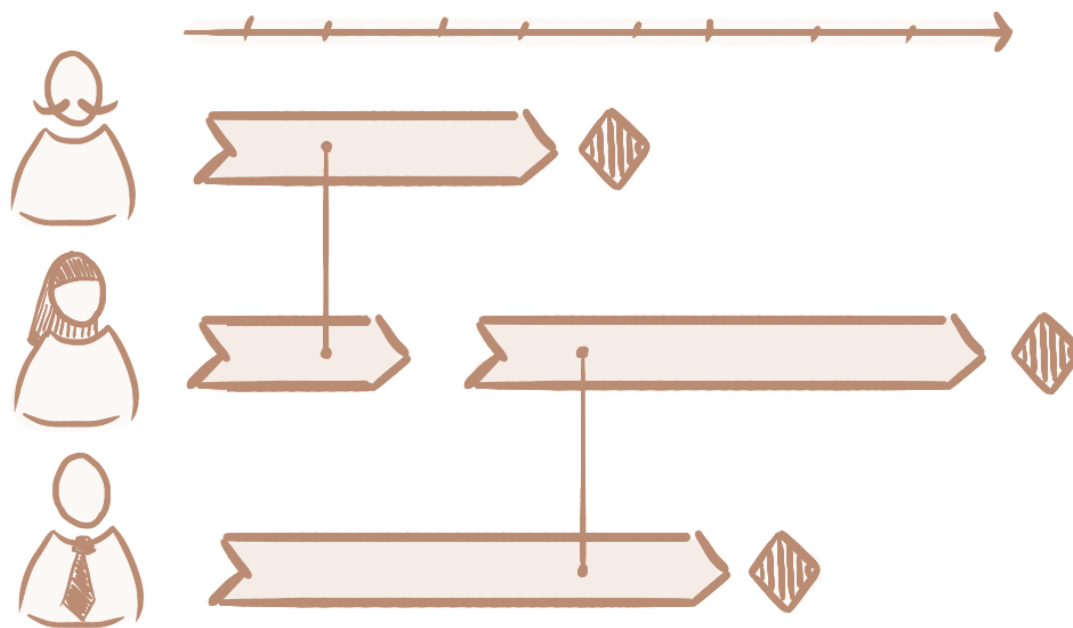
– *Production*: what we will produce, the amount of it and how our production process works: duration, major stages, outsourced sub-processes, technologies used, and methods of quality control implemented both during and after production.

– *Distribution*: the channels, delivery methods and partners required to deliver our products/ services to our clients' locations.

3. A time-structured system to assess and adjust our management plan so that it continues to function properly and improves over time.

An effective management plan organises manpower by assigning roles and responsibilities and setting a schedule.

Management plan diagram



Roles, responsibilities and a schedule, essential ingredients of a management plan.



Tips for trainers

At the initial stages of business development (year '0', or validation phase), the entrepreneur should focus efforts on refining the strategic and business model areas of the project. Although, of course, operational and managerial aspects are basic for the functioning of everything else, they do not need to be planned to perfection yet. So, do not dedicate a great amount of time to developing the most comprehensive of plans, a basic understanding of the tasks and resources involved and their management would suffice for now.



Tips for trainers

The Green entrepreneur shall outline a short term-strategy, that should uppermost be based on its targeted customers. Therefore, elaborating a wise strategy shall take into consideration each segment of customers defined in the previous iterative step. A quantitative analysis will definitely help in sizing the segments, then define the right strategies to adopt, according to further parameters, such as the development costs of each strategy and the expected impact of each strategy.

MENA Example

Think globally... or die out!

Photo: World bank



Description

Company name:
Action SARL Tunisia

Country:
Tunisia

Activity:
*Energy and environmental
 management consulting firm*

Year of creation:
2008

Start-up capital:
23.000 €

Entrepreneur:
Mr Néji Amaimia

After an extensive managerial career in the public administration, Mr Néji Amaimia decided to look to a new professional horizon by offering his expertise and knowledge in the field of environment and energy management consultancy.

Although a market survey showed an evident business potential in two innovative fields (energy and environment) in Tunisia, the national demand for such services was emerging, and the conditions to access to markets were not favourable for Action SARL. In particular, low-cost competitors with low qualifications drove prices down, together with an adjudication system in Tunisia that encouraged the so-called 'best offer' (which means the lowest one in financial terms).

In order to achieve his objective (i.e. the improvement of businesses environmental practices), Néji had to follow a defined roadmap. Because it was extremely difficult to access Business-to-Business markets when working alone, Néji decided to partner with foreign companies to help him access those markets. In 2008, a contract with the Carrefour Group on energy conservation opened the gates of all Tunisian malls held by Carrefour. Another assignment with a German company specialised in solar power engineering has allowed Action SARL to participate in an ambitious African electrification programme. Those references have allowed Mr Amaimia to validate his business model and quickly establish his reputation abroad and in his own country.

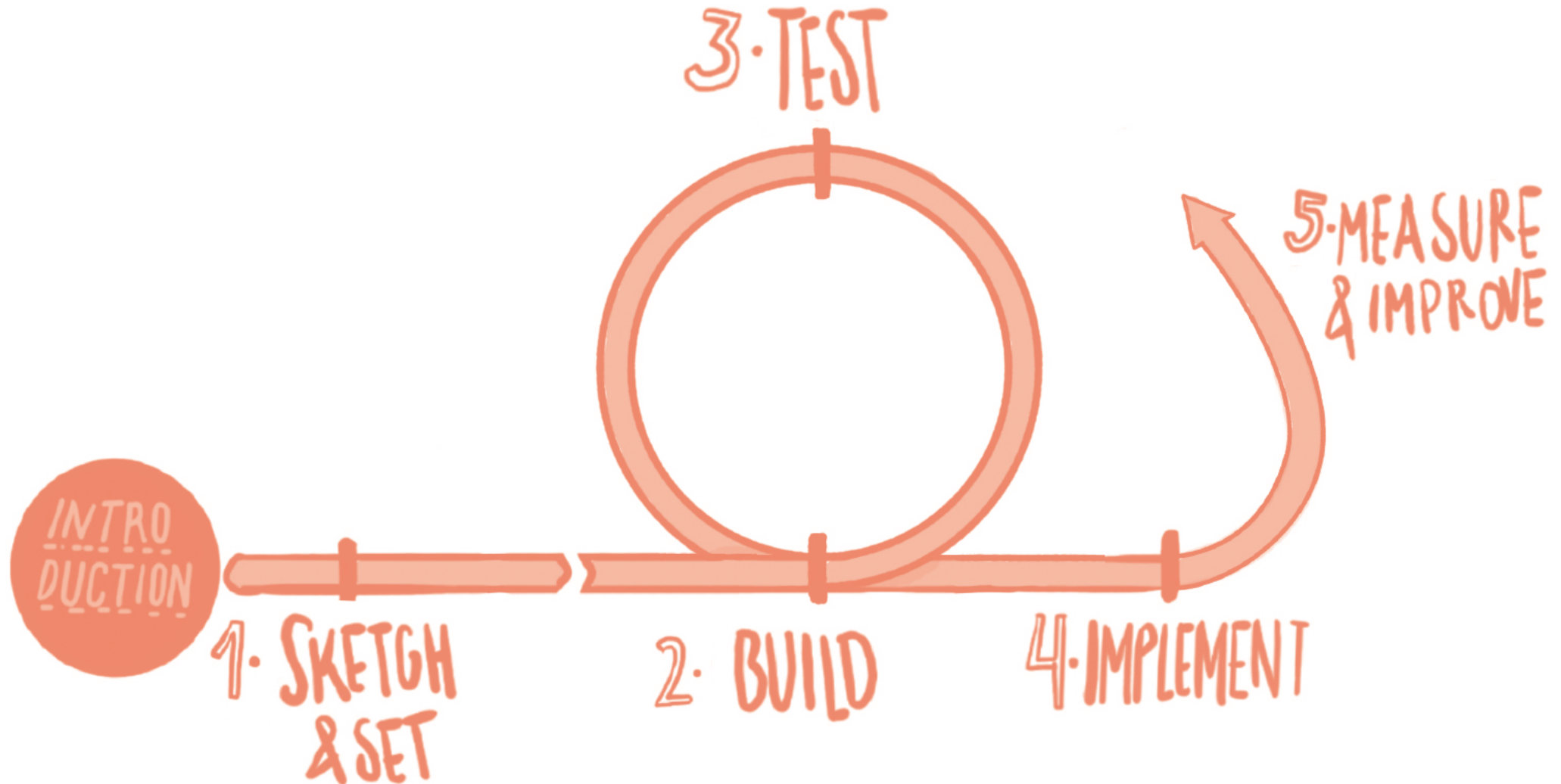
5

Measure & Improve

- 5.1 Impact measurement
- 5.2 Continuous improvement

We embark on a green entrepreneurial venture for a number reasons, ranging from personal and professional aspirations to environmental and social challenges that need to be tackled. Our green business is a means to achieving them, to contributing to a greener and fairer planet, while providing us and our ecosystem of partners with fair wages. So, fully into the execution phase now, we need to regularly measure progress towards our business objectives and reinvent ourselves where necessary. In technical terms, these two mechanisms are referred to as impact measurement and continuous improvement.

You are here!



5.1 Impact measurement

*Green business on the ground:
effectively measuring environmental
and social impact*



*Two types of indicators for green entrepreneurs: project indicators
and environmental performance indicators.*

It is a must in view of our
inherent environmental and
social purpose.

Summary

Measuring impact has become a trending and challenging topic for green and social enterprises. On the one hand, it is a must in view of our inherent environmental and social purpose. On the other, as businesses, we also have to manage our own internal environmental or social performance.

Given their limitations, start-ups and small and medium enterprises require easy-to-measure, yet effective and functional indicators to assess their impact on the ground.

Expected Results

Here we expect to define a scorecard composed of project indicators and environmental performance indicators, their corresponding measuring techniques and nominal ranges of operation (spectrum of acceptable values for the indicators), aimed at estimating the real impact of our business.

Go to Step 5
in the Workbook
(Workbook, p.152)
and follow the instructions
provided by your trainer.

Project indicators

Impact is a synonym for value, in the sense of real value created for stakeholders and the environment. Therefore, the task now narrows down to gauging the value we generate.

Seeking to track progress towards the objectives, we have to define a set of indicators (one per objective ideally) that are easy to measure and manageable, quantitative as far as possible but also qualitative when it suffices.

First, we will need to measure how we are doing regarding the achievement of our objectives and mission. For this, 'project indicators', **should be defined as far as possible from Step 1**, as they will allow us to track the progress of our project towards our objectives.



Tips for trainers

Green entrepreneurs should not worry too much about coming up with perfect indicators at Step 1; they can simply focus on the notion that the objectives need to be tracked and thus measurable indicators are needed. Project indicators should be refined all the way over the entrepreneurial journey, as the business model evolves.

Environmental performance indicators

Besides project indicators, we may also be interested in tracking 'environmental performance indicators'. This has to do with assessing our environmental impact using a handful of simple, semi-quantitative indicators in major areas of the environmental impact of the business. In practice, we may use the key environmental performance indicator set in eco-design card #9 (Step 2, 'Key activities & resources' section) as a first approach to our environmental performance. This main indicator can then be complemented with other environmental performance indicators

(e.g. water consumption per use, waste generated per service, etc.).

In addition, we could also consider 'social performance indicators'. As far as stakeholders (customers and team included) are concerned, it is all about evaluating their satisfaction and real engagement in the project (social performance indicators), mostly through formal and informal feedback-gathering methods, such as one-on-one conversations, post-event polls and satisfaction surveys, group reviews, etc.



Tips for trainers

In the case of start-ups and small and medium enterprises, the limited resources available, such as managerial capacities and time allocated for the matter, call for easy-to-measure, yet effective and functional indicators that can account for the company's fundamental impact on the ground, at least around in its most direct area. At least, green entrepreneurs should focus on the indicators deriving from the objectives of the project (Step 1) and the environmental performance indicator from Step 2 (Key activities and key resources, eco-design card 9).

■ See Step 1 – Sketch and set for further information and explanation.
p.17

■ See Step 2 – Build for further information and explanation.
p.33

5.2 Continuous improvement

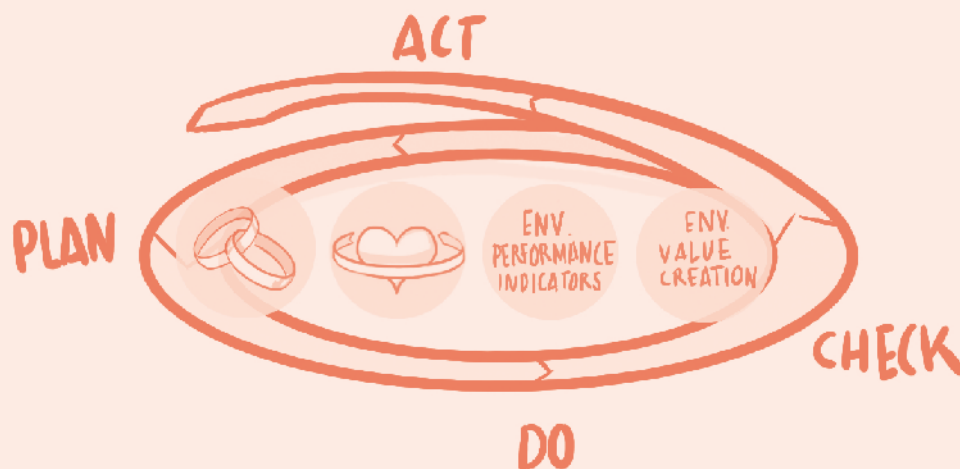
Constantly improving our business to achieve objectives and adapt to a changing world

This process must be able to touch upon every area and piece of our business.

Summary

By assessing our impact with indicators, we can initiate the cycle of continuous improvement. This process must be able to touch upon every area and piece of our business (Green business canvas). The first step is therefore to single out the key areas for improvement where we can have significant and effective influence. Then, we seek and determine the design parameters related to those areas. And lastly, we adjust them, within their nominal ranges, triggering yet another perform-measure-and-improve cycle.

By assessing our impact, we can initiate the cycle of continuous improvement, and ameliorate every aspect of our business.



Continuous improvement cycle: assessing impact and fine-tuning the model.

Expected Results

Here we expect to define a strategy to implement the continuous improvement philosophy, comprising the main areas for improvement that have been identified and the corresponding design parameters that need to be adjusted.

Some of the most common areas for improvement include: levels of participation and incentives, communication and marketing, focus on strengths, eco-design parameters, green procurement and environmental awareness in local communities.

Description

With illustrative purposes, some of the most common areas for improvement are presented next, including typical examples of areas for improvement.

1.Stakeholders

Adding new potential key stakeholders to the engagement plan, allowing higher levels of participation and offering proportional incentives and rewards in return, establishing more meaningful relations with the local community, giving more visibility and credit to partners, providing more value to beneficiaries, thinking long-term about future generations, etc.

2.Customers

Deeper understanding of their needs, more effective communication and marketing, more convenient delivery, higher differentiating

factor with respect to competition, stronger focus on our own strengths, shifting to different customer segments, etc

3.Environmental performance

Varying eco-design parameters to improve the environmental performance of our key activities and resources, raising our environmental demands towards partners and stakeholders ('green procurement'), targeting more ecologically aware consumers, etc.

4.Environmental value created

Committing more time and resources to explaining the environmental benefits of our project to customers and stakeholders alike, communicating impact, raising environmental awareness in the local communities through participatory activities, etc.



Tips for green entrepreneurs *Stay connected!*

The uncertain environment of our green business activity demands constant access to up-to-date information about legal and political frameworks, competitive solutions, customers' needs, costs, etc. Web-based solutions, but also direct contact with experts or clients, will help alleviate risks and formulate effective strategies. You can always do better towards continuous improvement.

MENA Example

‘Think out of the box!’

Photo: Unknown



Description

Company name:
Saphon Energy

Country:
Tunisia

Activity:
Wind energy

Year of creation:
2009

Start-up capital:
 -

Entrepreneur:
*Anis Aouni &
 Hassine Labaied*

Saphon Energy was born in Tunisia in 2009 when engineer Anis Aouni and his friend, investment banker Hassine Labaied, hatched an idea for a new type of wind converter.

Saphon's aim wasn't to improve the current wind turbine technology but rather to develop a radical new way of harnessing the wind. Anis' basic idea was to remove the whole rotating system (blades and hub) and to replace it with a non-rotational sail-shaped body. The idea has evolved over time and emerged as a promising technology named the Zero-Blade Technology. The related wind converter, christened 'The Saphonian', is bladeless, rotationless, and has a back and forth 3D knot motion, largely inspired from sailboats, a bird's wings or certain species of fish.

Besides its impressive high efficiency (twice as efficient as current wind turbines), the technology brings other values: it removes all the disadvantages of a rotating device, it is much cheaper to manufacture and it is completely silent. The technology has been patented and is being registered in 70 different countries.

Since 'The Saphonian' is at its early stage of development, it must be ly improved to meet consumer's needs as well as stakeholders concerns.

Congratulations!

You have arrived at the end of the journey from a business idea to a value-generating market-fit solution!

And what is more, you have turned an environmental challenge into a feasible business opportunity that creates social and environmental value. Well done!

Now it's time to go out into the market and make it happen!

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