Overview

- Values-Based Innovation Management
- Cases of Aravind and Interface
- The Business Innovation Kit
- Sustainable Business Model Design – 45 Patterns
We differentiate between three levels of innovation.

- Understand and compare their business model design options
- Establish a shared understanding what to do, based on fundamental (though often forgotten) considerations:
  - Why are we doing it? What is important for us about it and in doing it (values)? What is it good for (purpose)?
Background /// Values play a key role in branding and human resources, but they are rarely used to explicitly inform or drive innovation and entrepreneurship.

- How do values (empirically) impact and direct innovation and its management?
- How can values (i.e. notions of the desirable / ordered systems of priorities) facilitate innovation-related practices?

**HOW TO DRIVE INNOVATION BASED ON WHAT WE CARE ABOUT?**

Background /// Instead of reviewing values, innovation managers hire trendscouts to look for the NEXT BIG THING, in consumer electronics, energy, mobility ...
Background /// … but no one seems to ask for what is really desirable ...
The dark side of invention persists: ‘To invent the sailing ship or the steamer is to invent the shipwreck. To invent the train is to invent the rail accident of derailment. To invent the family automobile is to produce the pile-up on the highway’ (Paul Virilio, 2007, 10).
1955 James Dean died in his Porsche Spyder. Driver safety was not a big issue back then.
Background /// Even in the 60ies safety did not sell, until competing car companies succeeded in Europe with safety as main value (proposition).

- Corning’s “Chemcor” glass failed on the 1960ies market: “Americans were having such a love affair with their cars that safety was not an issue” (Howard, 2005, 39). **Safety did not sell.**

- In Europe, in 1944, Swedish Volvo introduced the safety cage and laminated windshields, in 1959 the modern three point safety belt. "**Cars are driven by people. The guiding principle** behind everything we make at Volvo, therefore, *is* and must remain, **safety**” (Assar Gabrielsson and Gustav Larson, 1927).

- After European companies like Volvo succeeded in the 1980ies in the UK and then US with safety as a key value proposition, all manufacturers incorporated **safety as a key value for their innovation efforts.**
Today the market for driver safety for passenger cars is worth several billion Euros, estimated at 3.2 Billion USD by 2025.

- Eye-tracking/blink-monitoring
- Facial expressions/head movements
- Heart rate-monitoring
- Pressure/angle steering sensor
- Lane departure warning
- …

Volvo has always held safety as one of its main focuses; so much so that they developed much of the industry technology that we use today. Take a look below at some of our Volvo safety firsts.
May we expect a similar prospect for sustainability-oriented innovation …
... or for other, currently subordinate values such as privacy ...
... or for something else we care about? Values abound!

Justice
- Efficiency
- Equity

Privacy
- Respect
- Curiosity

Safety
- Style
- Joy

Health
- Diversity
- Freedom
Values impact our attitudes and activities, help to define normative orientations ...
… and open up opportunities to drive innovation and constitute new markets.

sustainability-oriented innovation

efficiency-oriented processes innovation

new health markets

safety-oriented innovation

you name it …
... and open up opportunities to drive innovation and constitute new markets.

- **sustainability-oriented innovation**
- efficiency-oriented processes innovation
- safety-oriented innovation
- new health markets
- you name it ...
Values-Based Innovation Management /// A values-based approach applies the desirable (what each of us cares about) to understanding and managing ...
Values-Based Innovation Management /// … different types of innovation ...
Values-Based Innovation Management /// … on three management dimensions.
Values-Based Innovation Management /// Values can fulfil integrative, directive and heuristic functions for innovation or entrepreneurs.
Values-Based Innovation Management /// Managing innovation based on values demonstrates at least three potential functions for each.
Values-Based Innovation Management /// Cases show how values and normative orientations impact innovation and its management.
Values-Based Innovation Management /// Innovation cannot be well understood, designed, or managed without recurring to values and normative orientations.

### ARAVIND EYE CARE SYSTEM

| normative | Cooperation with WHO and other companies  
| Mission: To eliminate needless blindness |
| Networks | Identity |
| strategic | Business Models  
| Providing compassionate high quality eye care for all through cross-subsidation |
| instrumental | Services  
| Screening camps & vision centres |
| Products | Low cost (5 / 200$) intraocular lenses |
| Processes | 10 min. eye operations like on a conveyor belt, capacity building |

/// Prof. Dr. Henning Breuer, image from [https://atlasofthefuture.org/project/pay-per-lux](https://atlasofthefuture.org/project/pay-per-lux)
Values-Based Innovation Management /// Reusable models can be described as patterns of challenge-solution combinations, for instance the freemium pattern.

**Challenge:** Sustainability-driven businesses often face a lack of demand for their offerings. This makes it difficult to disseminate their solutions and build the critical mass required for economies of scale. How to set in motion a virtuous circle of growing demand, economies of scale, and widespread dissemination of more sustainable solutions?

**Solution:** The basic idea of Freemium (free + premium) is to unbundle an offering. A basic service or product is offered free of charge, while advanced features must be paid for. The free offering allows serving customers who are unable or unwilling to pay, while revenues are made from customers buying the premium offering.

**Example:** In India, there is a great need for eye care treatment, but the majority of people in low-income rural areas are unable to pay for eye care services. In addition to its devastating psychological and social effects, loss of sight often means the loss of one’s livelihood. Aravind Eye Care System, a network of hospitals in India, operates a Social Freemium business driven by the mission to eliminate needless blindness.
Values-Based Business Modelling /// Values-based business model innovation in eye-surgery (Case of Aravind).

<table>
<thead>
<tr>
<th>Values</th>
<th>Value Proposition</th>
<th>Touchpoints</th>
<th>Capabilities</th>
<th>Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>■ Erradicate needless blindness in India</td>
<td>■ Quality surgery</td>
<td>■ Campaigns</td>
<td>■ Standardised treatment</td>
<td>■ Aurolab delivers quality lenses at low price</td>
</tr>
<tr>
<td>■ Paying and non-paying patients</td>
<td></td>
<td>■ NGO &amp; WHO collaboration</td>
<td>■ Specialized staff</td>
<td></td>
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<tr>
<td>■ Stakeholder Segments</td>
<td></td>
<td>■ Education and Screening in villages</td>
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</tbody>
</table>

Revenue Model

■ Subsidisation of 2/3 unpaid treatments
■ „Freemium“

Cost Structure

■ Minimal costs per case
Values-Based Business Modelling /// The case of Interface and its “Mission Zero” illustrates the potential of values-based business modelling.

Ray C. Anderson commitment initiated sustainability-oriented business model transformation: “We believe that change starts with us and is transforming Interface from a plunderer of the earth to an agent of its restoration. Through this process of redesigning ourselves, we hope to be a catalyst for the redesign of global industry.”

Values-Based Business Modelling /// A conventional business model of carpet producer like Shaw Floors or Interface in the early 90ies looks like this.

- **Values**
  - Competitiveness
  - Profitability
  - Honesty
  - Integrity
  - Passion

- **Value Proposition**
  - High quality carpets at a reasonable price
  - Broad range of up-to-date designs and styles

- **Stakeholder Segments**
  - Retailers
  - Business clients (e.g. office space providers)

- **Touchpoints**
  - Advertisements
  - Local stores
  - Direct sales
  - Word-of-Mouth

- **Distribution**
  - Local retailers
  - Specialized B2B sales agents

- **Revenue Model**
  - Sell carpets
  - Pay per square meter

- **Capabilities**
  - Sourcing of raw materials
  - Carpet design
  - Fabrication of carpets

- **Partners**
  - Raw material suppliers
  - Wholesales

- **Cost Structure**
  - Energy costs
  - Costs of materials
  - Operation Costs

/// www.uxberlin.com/businessinnovationkit
Values-Based Business Modelling /// Once the carpet producer revises its values and normative orientation, new business case drivers may be applied ...

- Valuing the natural environment
- Ecological justice
- Sustainability: Mission Zero

www.uxberlin.com/businessinnovationkit
Values-Based Business Modelling ... providing heuristic, directive and integrative potentials to uncover and exploit new business potentials.

- Valuing the natural environment
- Ecological justice
- Sustainability: Mission Zero

- Nature-inspired aesthetic designs
- Floor covering as a service
- Take back service for used carpet tiles

- New revenues from floor-covering services

- Resource-efficient designs
- Design for take back and recycling
- Fuel-efficient logistics partners

- Reduce energy costs
- Reduce material costs through recycling
- Save materials through nature-inspired random designs

/// www.uxberlin.com/businessinnovationkit
Maximising Resource Efficiency and Productivity reduces waste and helps save the Earth’s limited resources. Combine whole-system thinking with the adoption of more efficient and productive technologies to embed these principles in different parts of your business model.
Values-Based Facilitation Methods /// Business Modelling
Business Modelling /// The dichotomy between technology- versus market-driven innovation is being replaced by ...
Business Modelling /// ... a systemic view on a multitude of components...
Business Modelling \[\ldots\text{ a systemic view on a multitude of components within business ecosystems} \ldots\]\[/// Prof. Dr. Henning Breuer\]
Business Modelling ... each relation becoming a potential source for innovation.

“A mediocre technology pursued with a great business model may be more valuable than a great technology exploited via a mediocre business model“ (Henry Chesbrough 2010).
“An architecture for the product, service and information flows, including a description of the various business actors and their roles; and a description of the potential benefits for the various business actors; and a description of the sources of revenues” (Timmers 1998).

“Business model is a conceptual tool that contains a set of elements and their relationships and allows expressing the business logic of a specific firm. It is a description of the value a company offers to one or several segments of customers and of the architecture of the firm and its network of partners for creating, marketing, and delivering this value and relationship capital, to generate profitable and sustainable revenue streams” (Osterwalder et al. 2005).

Aziz et al. (2008) defined business models also based on their components. Within their literature analysis they identified 54 business model components within various literature sources.
Normative Innovation for Sustainable Business Models in Value Networks

- Ensure your project is worth being done.
- Explore scope and depth of business design options.
- Evaluate strengths and weaknesses of each component.
- Compare alternative use cases and business models.
- Create a shared understanding among participants.
Business Modelling /// Different practitioner tools support mapping and ideation of new business models.

Business Modelling /// The Business Innovation Kit applies a values-based view to business modelling ...
Business Modelling ... and applies a values-based view and adds didactic and gamification elements to provide a self-explanatory toolkit.

- **Didactic**: Instructions for self-moderation and fundamental concepts (e.g. trade-offs between revenue models)
- **Gamification**: Card-game like assignment of player tasks, competition for valuable ideas, case puzzles and challenges
- **Values-based** grounding and extensions, e.g. for revenue modeling or sustainability-oriented innovation.
Business Modelling /// Workshop participants proceed in six steps.

1. Learn from others (cases & patterns)
2. Grounding: What is important to us & what is it good for (values & purpose)?
3. Ideation on business model components with values in mind
4. Refinement starting from anchors to sketch coherent business models
5. Challenge assumptions and think through scenarios
6. Start with a business idea or challenge

Develop Values-Based Business Models
Business Modelling /// In a grounding exercise fundamental values are being explored and negotiated, sustainability-orientation may be enhanced.

- What is your business idea all about? What is the purpose of the whole endeavor? State your Vision, Mission or Purpose.
- Establish common ground of fundamental values to work on with your team – even beyond economic success criteria. Is this also about values like privacy, health and/or sustainability?
- If sustainability-orientation is key to your idea business case driver cards help you to explore new business cases for sustainability.
Business Modelling /// Familiarize yourself with business model components and patterns through cases from the news and different industries.

CASE

Since the 60s, soccer clubs have been accepting jersey sponsorship from businesses. For major clubs, it was soon followed by touchline advertising, and subsequently by additional advertising rights in newer media formats such as television, newscasts and social media platforms. Sponsored presentation games have now become part of pre-season preparations.

Tip

Each card displays a clue as to which component it belongs to. Designating a card to a particular component must not always be obvious. Discussion counts.
Business Modelling /// Mapping Exercise to familiarize with components and to understand a sustainability-oriented business model in the fashion industry.
Business Modelling /// Workshop participants proceed in six steps.
Business Modelling /// In the refinement exercise, values-based anchors and the best, compatible ideas from the idea pool are being combined.
Business Modelling /// Challenger cards present scenarios what might happen to check the robustness of your assumptions.

Tip
Challenger cards marked with I (conceptual ideas) help you to develop a new business model, whereas challenger cards marked O (optimization) help you to optimize and examine your business closely.
Business Modelling /// Extension sets for revenue models and customer touchpoints guide teams into further detail.
Seemingly viable models are based on assumptions, each needs to be checked with respect to maturity and need for action.

<table>
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<tr>
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<tbody>
<tr>
<td>To be discussed or vague</td>
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<td>To be discussed or vague</td>
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<tr>
<td>Well defined</td>
<td>Well defined</td>
<td>Well defined</td>
<td>Well defined</td>
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<tr>
<td>Qualified (through feedback)</td>
<td>Qualified (through feedback)</td>
<td>Qualified (through feedback)</td>
<td>Qualified / first contacts</td>
</tr>
<tr>
<td>Quantified</td>
<td>Quantified</td>
<td>Quantified</td>
<td>Quantified / contract</td>
</tr>
<tr>
<td>Proven</td>
<td>Proven</td>
<td>Proven</td>
<td>Proven / integrated</td>
</tr>
<tr>
<td></td>
<td>Prio-Rating:</td>
<td>Critical and missing</td>
<td>Prio-Rating:</td>
</tr>
<tr>
<td></td>
<td>To Do:</td>
<td>Accessible</td>
<td>To Do:</td>
</tr>
<tr>
<td></td>
<td>Person in charge:</td>
<td>Already in working mode</td>
<td>Person in charge:</td>
</tr>
</tbody>
</table>

- Stakeholder
  - To be discussed or vague
  - Well defined
  - Qualified (through feedback)
  - Quantified
  - Proven
  - Prio-Rating:
  - To Do:
  - Person in charge:

- Distribution Channels
  - To be discussed or vague
  - Well defined
  - Qualified (through feedback)
  - Quantified
  - Proven
  - Prio-Rating:
  - To Do:
  - Person in charge:

- Revenue Model
  - To be discussed or vague (revenue channels & price)
  - Well defined
  - Qualified (through feedback)
  - Quantified
  - Proven
  - Prio-Rating:
  - To Do:
  - Person in charge:

- Cost Structure
  - To be discussed or vague
  - Well defined
  - Qualified (through feedback)
  - Quantified
  - Proven
  - Prio-Rating:
  - To Do:
  - Person in charge:
Business Modelling /// *Five E pave the road from idea to market.*

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Business Modelling /// Creative elaboration explores the scope, breath and depth of each business model component and their relations.
### Fixed Price

Minimize customer uncertainty by keeping the risk of increased internal costs.

**Customer can have a fixed price orientation and avoid additional costs**

- Offer and price is dependent on customer needs.
- Suitable for: divergent customer groups or market segments.
- **Segmentation by various means**
  - Examples: e.g. private or corporate users, members and non-members.
  - Works well with need-based differentiation of segments.
  - Creating a customer base using memberships
- Attract customers by cheaper prices within membership, e.g. organic grocery stores offering cheaper prices for members that for normal customers

**Multiplier effect**
- Offering free entrance to concerts for journalists using their multipliers-effect for own benefit and marketing.

### Segment Dependent

Offering different prices to different market and client segments (e.g. private or corporate user) in order to maximise profitability for each segment.

**Good to know**

- **Dependant**
- Be-spoke / negotiated
- Volume
- Feature
- Demand based
- Auction
- Perform
- Real time

### Business Modelling

Systematically & creatively explore the range of options.
Business Modelling /// For instance, differentiate and prioritize revenue streams.
Business Modelling /// Five E pave the road from idea to market.
Business Modelling // For every specification on a business model component implicit assumptions should be made explicit and evaluated.
Business Modelling /// A five E framework distinguishes maturity levels and …
Business Modelling /// A sprint plan for experimentation helps to understand reasons for success and failure.

Experiment Report
- Learning Goals
- Metric for Measure
- Research Scope
- Minimum Build Plan
- Hypothesis
- Results
- Key Insights and Consequences
Business Modelling \(\ldots\) suggests methods for specification and validation.

\[
\begin{align*}
\text{Steering & Coaching} & \\
\text{Evolution} & \\
& \text{Release Planning, Future Scenarios} \\
\text{Experiment} & \\
& \text{Kohort Studies, User Clinics} \\
\text{Evaluation} & \\
& \text{Expert Interviews, Customer Development} \\
\text{Elaboration} & \\
& \text{Ethnography and Blue Ocean, Design Thinking Workshops} \\
\text{Exploration} & \\
& \text{Business Modeling Starter Kit, Futures Workshops} \\
\end{align*}
\]
Thank you for your attention! /// Some Online References

1. What can innovation professionals learn from values-based stakeholder management? Fireside Chat of Edward Freeman with Henning Breuer at ISPIM 2021 International Conference: https://youtu.be/1oEXgIKxN7A

2. Reinventing web search for sustainability or how Ecosia fights climate change with tree planting: Fireside Chat of Christian Kroll (Ecosia) with Kiril Ivanov at ISPIM 2021 International Conference: https://youtu.be/pMjiCFnG_1E

3. Values-Based Business Model Innovation for the SDGs in the lab of tomorrow. Fireside Chat of Sven-Uwe Mueller (GIZ) with Henning Breuer at ISPIM 2021 International Conference: https://youtu.be/_qBZsaQyFIE

4. The Corporate Sustainability Innovation Game, introduction video by Henning Breuer and Kiril Ivanov, 2021: https://www.youtube.com/watch?v=i70UPui0iGU&t=6s


8. Values-based Innovation (Matthias Rauterberg: Human values-based design Sven-Uwe Müller: Values-based business model innovation in the Lab of Tomorrow, 14.07.2020, 63 min, ISPIM Thought Leader Presentations): https://youtu.be/p2jcKnVrQrw


12. Values-Based and Sustainable Innovation SIG by Henning Breuer and Florian Lüdeke-Freund (22.06.2020, 3 min, short introduction): https://youtu.be/phBUw1FYobQ


14. Webinar - Values-Based Innovation Management: Concepts, Methods and Applications (29.10.2019, focus on ethnographic research): https://www.youtube.com/watch?v=I2gUryMeRyU


16. Fishbowl Discussion with with Philip Baumann, Head of Product at Ecosia and Roman Meier-Andrae, Divisional Head of Corporate IT & Digitalisation & Member of the Executive Board at TÜV Nord Mobilität (20.8.2019, 30 min): https://youtu.be/AHPEI5p2PBo


Thank you for your attention! /// Please join our Special Interest Group!

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- **New Podcast**
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  - IMPACT: [www.impact-project.site](http://www.impact-project.site)
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