

Topic: **Business Model Canvas and Lean Startup Canvas Methodology**

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## **I. What does it mean?**

**Business Model Canvas (BMC)** is a strategic management and entrepreneurial tool for developing new or documenting existing business models.

It is one-page visual chart that allows to describe, design, challenge, invent, and pivot business model. This approach allows to describe a firm's or product's value proposition, infrastructure, customers, and finances. It assists firms in aligning their activities by illustrating potential trade-offs.

The Business Model Canvas contains 9 key elements of business model<sup>1</sup>:

1. **Key partner:** What are the key partners of our business?
2. **Key activities:** What kind of activities do our value propositions require?
3. **Value Proposition:** What value do we deliver to the customer?
4. **Customer Relationship:** How do we get, keep and grow customers?
5. **Customer Segment:** For whom are we creating value?
6. **Key Resource:** What key resources do our value proposition require?
7. **Distribution Channel:** Which channels are best to reach customers?
8. **Cost Structure:** What are the most important costs?
9. **Revenue Stream:** For what value our customers really willing to pay?

Each component contains a series of hypotheses that it needed to test. The BMC let look at all nine building blocks of your business on one page.

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Business Model Generation, A. Osterwalder, Yves Pigneur, Alan Smith, and 470 practitioners from 45 countries, Wiley&Sons Publish. New Jersey, 2010, : [www.businessmodelgeneration.com/canvas](http://www.businessmodelgeneration.com/canvas).



# SHAKE UP START UPS

## Business Model Canvas



Source: [www.businessmodelgeneration.com/canvas](http://www.businessmodelgeneration.com/canvas).

The Business Model Canvas was initially proposed by Alexander Osterwalder in book *Business Model Generation* in 2008<sup>2</sup> Since the release of Osterwalder's work new canvases for specific niches have appeared, such as the Lean Canvas<sup>3</sup>.

**Lean Start-up Canvas** it is modified version of **Business Model Canvas** for starts ups, developed by Asha Maurya, **the founder of Spark59** company, that advice young entrepreneurs at an early stage of their business.

<sup>2</sup> *Business Model Generation*, A. Osterwalder, Yves Pigneur, Alan Smith, and 470 practitioners from 45 countries, Wiley&Sons Publsh. New Jersey, 2010

<sup>3</sup> Ash Maurya, *Running Lean. How to iterate from Plan A to a Plan that works*, O'Reilly Media Publ., Sebastopol 2012.





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What are the differences<sup>4</sup>?

- The Lean Canvas is more actionable and entrepreneur-focused
- It deeply focuses on startup factors such as uncertainty and risk
- It focuses on product and customers development
- It focus on finding the solutions of real needs or problems worth to build a successful startup.

In fact the Lean Start-up Canvas is very similar to the BMC. There are changed some of its components. First of all, in the Lean template the Author added the “Problem” and the “Solution” blocks, which is typical of a startup phase of search. In addition, Lean template is set to the appropriate tracking the progress made in the development of the product, and therefore in that context are defined Key Metrics indicators.

### Lean Canvas

<b>Problem</b> Top 3 problems	<b>Solution</b> Top 3 features	<b>Unique Value Proposition</b> Single, clear, compelling message that states why you are different and worth buying	<b>Unfair Advantage</b> Can't be easily copied or bought	<b>Customer Segments</b> Target customers
	<b>Key Metrics</b> Key activities you measure		<b>Channels</b> Path to customers	
<b>Cost Structure</b> Customer Acquisition Costs Distribution Costs Hosting People, etc.			<b>Revenue Streams</b> Revenue Model Life Time Value Revenue Gross Margin	
PRODUCT			MARKET	

**Sources:** Ash Maurya, *Running Lean. How to iterate from Plan A to a Plan that works*, O'Reilly Media Publ., Sebastopol 2012.

<sup>4</sup> Why lean canvas vs Business Model Canvas, <https://leanstack.com/why-lean-canvas/>





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1. **Problem box (instead Key Partners)** – As Ash Maurya states most startups fail, not because they fail to build what they set out to build, but because they waste time, money, and effort building the wrong product. He attribute a significant contributor to this failure to a lack of proper “problem understanding” from the start.
2. **Solution box (instead Key activities)** - once you understand the problem, you are then in the best position to define a possible solution. Because “(...) the solution is what we are most passionate about. Left unchecked, we often fall in love with our first solution and end up cornering ourselves into legacy”<sup>5</sup>.
3. **Key Metrics (instead Resources).** How is this a risk? Failure to identify the right key metric can be catastrophic – leading to wasteful activities like premature optimization or running out of resources while chasing the wrong goal. Initially these key metrics should center around value metrics and later they shift towards key engines of growth.
4. **Unfair Advantage box (instead Customer Relations)** This is another name for competitive advantage or barriers to entry often found in a business plan. This block is intended to continually encourage to work towards finding/building unfair advantage.

As Ash Maurya explains “Once a startup achieves some level of initial success, it is inevitable that competitors and copy-cats will enter the market. If you don’t have a defense against them, you stand a real risk of being made extinct by these fast-followers”<sup>6</sup>.

Building products today isn’t as (physical) resource intensive as it used to be. With the advent of the Internet, Open Source, Cloud computing, and globalization, we need fewer resources than ever to get a product to market – making Key Resources align more closely with Unfair Advantage. But while a Key Resource can be an Unfair Advantage, not all Unfair Advantages are Key Resources.

So, the Lean Canvas, on the other hand, proposed by Ash Maurya outlines a more problem focused approach and it majorly targets entrepreneurs and startup businesses.

While, the Business Model Canvas outlines several prescriptions which form the building blocks for the activities. It enables both new and existing businesses to focus on operational as well as strategic management and marketing plans.

But both of models give analytical approaches which are vital in the success of a business.

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<sup>5</sup> Why lean canvas vs Business Model Canvas, <https://leanstack.com/why-lean-canvas/>

<sup>6</sup> Ibidem.



## II. What may we gain using this tool?

Creating canvas (in reality or simulant) entrepreneurs learn how to design and test business models that help their ideas have a better chance of succeeding.

Particularly, how:

- **Organize the thinking**
- **Map the different aspects of business**
- **Track hypothesis**

The Canvas can be printed out on a large surface so groups of people can jointly start sketching and discussing business model elements with post-it note notes or board markers. It is a hands-on tool that fosters understanding, discussion, creativity, and analysis of key of our business, as<sup>7</sup>:

1. **How to first find a problem worth solving, before defining a solution?**
2. **How to find early customers?**
3. **When is the ideal time to raise funding?**
4. **How to test pricing?**
5. **How to decide what goes into Release 1.0?**
6. **How to build and measure what customers want?**
7. **How to maximize for speed, learning, and focus?**
8. **What is product/market fit?**
9. **How to iterate to product/market fit?**

The one-page canvas format may be used, both as management strategy in reality as an tool in the simulant games and workshops, as it<sup>8</sup>:

- **Fast**, compared to writing a business plan, which can take several weeks or months, you can outline multiple business models on a canvas in one afternoon.
- **Concise**. the canvas forces to pick words carefully and get to the point. This is great practice for distilling the essence of your product/work.
- **Portable**, single-page business model is much easier to share with others, which means it will be read by more people and probably will be more frequently updated.

## III. What kind of activities do we have to perform the workshop?

<sup>7</sup> Why lean canvas vs Business Model Canvas, <https://leanstack.com/why-lean-canvas/>

<sup>8</sup> To understand the differences between Lean Canvas and the original Business Model Canvas, see <http://www.ashmaurya.com/why-lean-canvas>.



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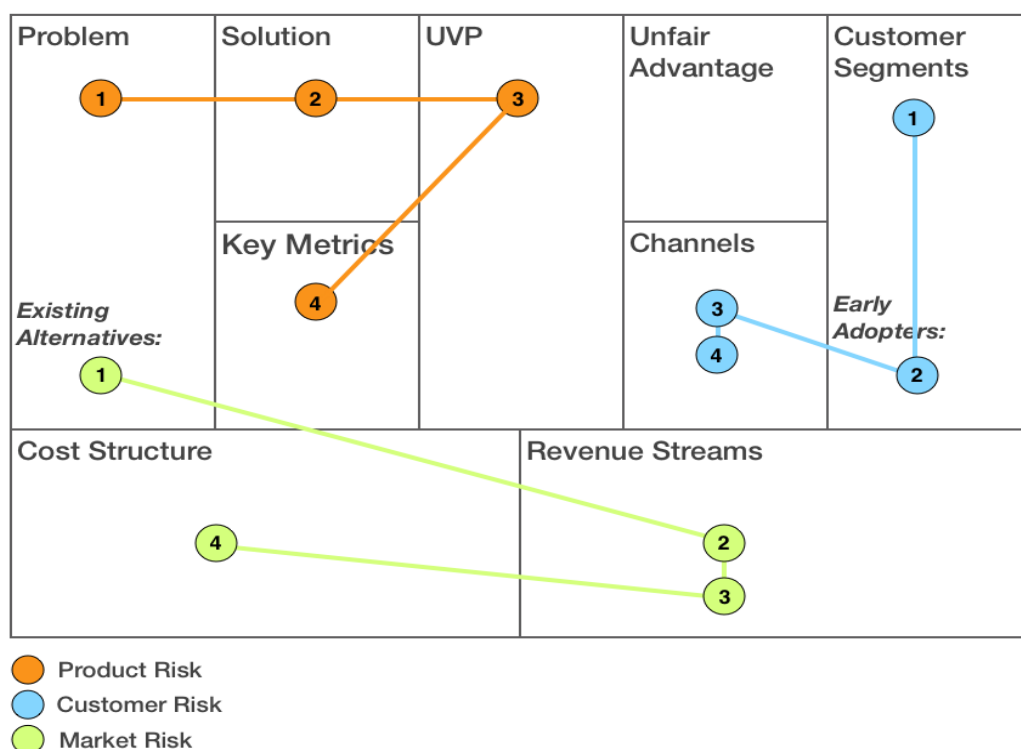
To build successfully Business Canvas the group should visualize, discuss all components of the business models and in the end to present their canvas.

### Using the Lean Start-up Canvas approach:

**Step 1. Writing down initial vision** and then sharing it with at least one other person. Use the one-page business model diagram (see )

**Step 2. Identifying the riskiest parts of the plan.** The bigger risk for most starts ups is building something nobody wants. In this case building a successful product is fundamentally about risk mitigation.

### Lean start-up canvas - risk mitigation



**Sources:** Ash Maurya, *Running Lean. How to iterate from Plan A to a Plan that works*, O'Reilly Media Publ., Sebastopol 2012.

The outputs of the work of group relate to the:



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- Defined and understand the problem;
- Defined the solution;
- Defined qualitatively
- Verified quantitatively.

The group have to gain the answers for the **key questions**<sup>9</sup>:

**1. Do we have a problem worth solving?**

- Is it something that customers want to buy?
- Will they pay for it? If not, who will pay?
- Can it be solved?

**2. Have we build something that people want?**

At this step the group should work out the plan that is starting to work.

**3. How do we accelerate the growth?**

The first stages (Understand Problem and Solution) are about getting to problem/solution fit or finding a problem worth solving.

Then participants iterate toward product/market fit by testing what they have built something people want using a two-stage approach: first qualitative, then quantitative.

**Step 3. Presentation of the idea.**

- What does our company or team do?
- What kind of problem solves our product/service?
- What key factors distinguish us?
- What are the benefits of using our product / service for customers.

Here is may be useful **Elevator's pitch** techniques<sup>10</sup>.

#### **IV. How to prepare? What we need to perform the activities?**

To successful and effective work on the creating the business model canvas we need appropriate:

- Methods of stimulating job (
- knowledge of teamwork
- properly organized space.

**Methods.** One of the secrets of success is the philosophy based on the **design thinking**. What can people in business learn from studying the ways successful designers solve

<sup>9</sup> Why lean canvas vs Business Model Canvas, <https://leanstack.com/why-lean-canvas/>

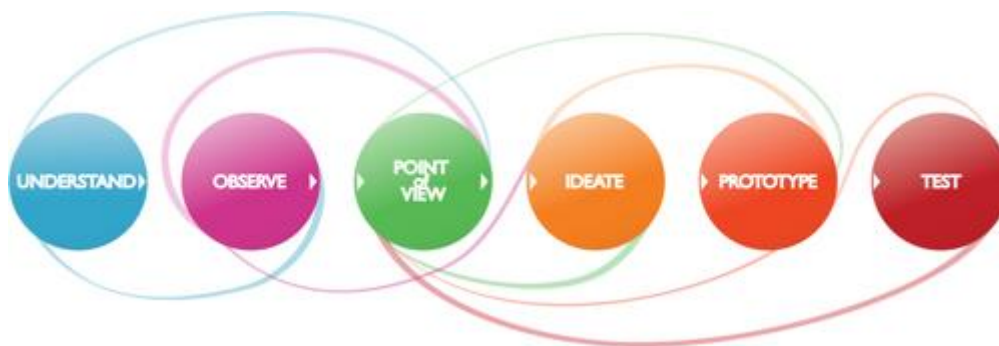
<sup>10</sup> Learn more: <https://www.mindtools.com/pages/article/elevator-pitch.htm>



problems and innovate? On the most basic level, they can learn to question, care, connect, and commit — four of the most important things successful designers do to achieve significant breakthroughs.

**Design thinking is the** methodology of creating the products and services. The key of importance in the design thinking is the “group thinking”, and the concentration on the needs of the end-users or stakeholders.

## Steps in a Design Thinking Process<sup>11</sup>



Sources: design\_thinking\_process.png

**Understanding** is the first phase of the design thinking process. During this phase, participants immerse themselves in learning. They talk to experts and conduct research. The goal is to develop background knowledge through these experiences. They use their developing understandings as a springboard as they begin to address design challenges.

**Observe.** Participants become keen people watchers in the observation phase of the design thinking process. They watch how people behave and interact and they observe physical spaces and places. They talk to people about what they are doing, ask questions and reflect on what they see. The understanding and observation phases of design thinking help students develop a sense of empathy.

**Define.** In this phase of design thinking, participants the focus is on becoming aware of peoples’ needs and developing insights. The phrase “How might we....” is often used to define a point of view, which is a statement of the:

**user + need + insight**

This statement ends with a suggestion about how to make changes that will have an impact on peoples’ experiences.

<sup>11</sup> Steps in the Design Thinking Process, [www.dschool.stanford.edu](http://www.dschool.stanford.edu).





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**Ideating** is a critical component of design thinking. Participants are challenged to brainstorm a myriad of ideas and to suspend judgment. No idea is too far-fetched and no one's ideas are rejected. Ideating is all about creativity and fun. In the ideation phase, quantity is encouraged. Participants may be asked to generate a hundred ideas in a single session. They become silly, savvy, risk takers, wishful thinkers and dreamers of the impossible...and the possible.

**Prototyping** is a rough and rapid portion of the design process. A prototype can be a sketch (playing roles), model, user interface, storyboard or a cardboard box. It is a way to convey an idea quickly. Students learn that it is better to fail early and often as they create prototypes.

**Testing** is part of an iterative process that provides students with feedback. The purpose of testing is to learn what works and what doesn't, and then iterate. This means going back to your prototype and modifying it based on feedback. Testing ensures that students learn what works and what doesn't work for their users.

In other words, design thinking is the confidence that everyone can be part of creating a more desirable future, and a process to take action when faced with a difficult challenge.

**Brainstorming** is the next tool for creative work! It is a situation when a group of people meet to generate new ideas around a specific area of interest. Using rules which remove inhibitions, people are able to think more freely and move into new areas of thought and so create numerous new ideas and solutions. The participants shout out ideas as they occur to them and then build on the ideas raised by others. All the ideas are noted down and are not criticized. Only when the brainstorming session is over are the ideas evaluated.

The brainstorming session should have a timeframe, and should cover one subject – challenge that is formulated in the form of questions: *How could we ...?* etc. More You can learn....

**The space** is an essential for creative work. Scott Doorly and Scott Witthout in their book, „Make Space. How to Set Stage for Creative Collaboration”<sup>12</sup> show how space can be intentionally manipulated to ignite creativity and foster collaboration. The authors advice and present strategies for changing surroundings specifically to enhance the ways in which teams and individuals communicate, work, play--and innovate<sup>13</sup>.

### How to arrange the work under the business canvas?

To work on the business model will be useful:

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<sup>12</sup> Scott Doorly, Scott Witthout, *Make Space. How to Set Stage for Creative Collaboration*, Jon Wiley&Sons, New Jersey, 2012

<sup>13</sup> Ibidem





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- room without tables and traditional office chairs.

Why? The idea to bring the atmosphere inducing to action and creative thinking.

### What to prepare more?

- A few pouf in the shape of cubes of different colors;
- Flipchart;
- Markers/pens in different colors;
- sticky Notes;
- Print ready sheet Business Model Can<sup>14</sup>

### V. Inspirations

<http://www.businessmodegeneration.com/>

<http://alexosterwalder.com>

<http://www.Businessmodelalchemist.com/>

<http://dschool.stanford.edu/>

<http://leanstick.com/>

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<sup>14</sup> You may use the created online tool as well. Learn more: <http://leanstack.com/books/>

