

Module 03 : Blueprinting the business model

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Week 04:
Blueprint your
operations



Resource Recovery and Reuse
(RRR) Entrepreneurship

Week 4 module 3: Blueprint your operations

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This week we will look at the left-hand side of your business model, the operational aspects. To attain competitive advantage, you need ensure a certain quality level while achieving efficiency in your operations. Keep this in mind as you define your key activities, key resources, key partners, cost structure and social and environmental costs.

The first question for blueprinting your operations is:

- What key activities do you need to perform well?

These are activities that are essential to operating your business. Make a list of activities that are relevant to your business. The more resource-intensive the production of the value proposition, the more comprehensive the channels, the more personal the customer relationships, the longer the list of activities will be.

And the longer this list, the higher your costs. It is important to evaluate which activities are key to your business and which ones can be removed or outsourced to partners. It is important for you to focus on those activities in which you have a competitive advantage and consider the use of strategic partnerships for others.

In the case of MCP, their main activity is the collection, segregation and composting of municipal solid waste. Since they mainly engage with their clients in personal relationships, the sale of compost, recyclables and carbon credits (in the future) takes up considerable time and is listed as a key activity.

Keep in mind that you don't need to list every single operational activity in for example transforming animal manure into biogas. In module 4, we will dedicate more time to describing your production process in more detail and assessing different technology systems.

Key here is summarizing operational activities that are for example performed by the same employees and highlighting the ones that take up most time or require the most knowledge. Also make sure that you do not only list activities linked to the actual production of your RRR product, but also important support functions like procurement of the raw material, sales & marketing or research & development (R&D). If the collection of your raw material is time-consuming, because you have to collect the municipal solid waste from individual households for instance, then make sure that you list this activity here. The same is true for the distribution of your finished product. If your distribution process is time-consuming, also list this as a key activity.

- What key resources do you need?

These are the human, financial, physical and intellectual resources fundamental for your business model to work. Again, list the resources you need for producing your value proposition, for selling and delivering it and for receiving the payment. Decide which resources you absolutely need to own (in-house resources) and which ones can be rented or used by building strategic partnerships. The less in-house resources are needed, the lower the investment costs will be. In module 4 we will have a detailed look at the needed physical resources like treatment plant, machinery and equipment as well as the workforce for operating your plant.

MCP needs the raw material, so the municipal solid waste, skilled and unskilled workers, as well as machines and equipment. Since it is essential for MCP to keep their production costs low, they also need a motivated and efficient workforce.

- What key partners do you need?

Key partners are institutions or individuals that have resources that you don't have or that perform activities better, faster or cheaper than you. The importance of forming partnerships is evident, but partnership management also requires time, so only create partnerships that clearly add value to your business model.

Especially think of strategic partners that can help you make your procurement and distribution processes more efficient by cutting down on transportation. One way of doing this, is engaging with community cooperatives or micro-entrepreneurs. Also think of strategic partners for getting access to existing land or infrastructure like the municipality, universities for doing research & development (R&D) and NGO's or public authorities for awareness raising and promoting your products to new customer segments.

MCP's partners are the National Environment Management Authority (NEMA) and the Government of Uganda that provide subsidies as operational tax waivers. The World Bank supports MCP in setting up a carbon credit scheme. MCP also partners with Makerere University and NEMA for laboratory analysis to ensure product quality as well as technical support. Finally it uses the NAADS' established distribution channels to get the fertilizer to farmers.

- What are the most important costs of your business model?

Here you need to identify all costs associated with operating your business and calculate their percentages of total costs. It is essential to get a realistic understanding of these costs and which components of the business model drive your costs up the most.

Since the process of collecting and segregating the waste is very time and energy-consuming, it is the production of fertilizer that drives MCP's overall costs the most. In addition to that maintaining the premises like fences and access roads adds to total costs.

Note that investment costs are not to be included in the cost structure as they do not count as operating costs. Investment costs are derived from the key resources you need to invest in before starting to operate. We will look at this in module 4. If you need to do large investments, you will also have large depreciation costs however, which you should add to the cost structure. You will be introduced to financial planning and how to calculate your depreciation in module 5.

- What social and environmental costs does your business cause?

Social and environmental costs differ from your business' operating costs. These are external costs resulting from your activities' impact on the environment and society. You have to take these potential costs into account when designing your business model and mitigate them as these have monetary and legal implications for the overall sustainability of your business. In many countries you are also obliged to do an Environmental Impact Assessment (EIA) before constructing your plant and operating it. If you are engaging in a large-scale PPP made up of governmental and private sector entities, you are also likely obliged to do a socio-economic impact assessment.

MCP has identified potential occupational health risks for workers if protective gear is not used and water pollution from leachate overflow in the rainy season.

Now that I have walked you through the various elements of blueprinting your operations and given you the example of MCP, it is your turn to define the key activities, key resources, key partners, cost structure and social and environmental costs that allow you to ensure a certain quality level and operate efficiently. Make sure that the various elements are coherent and that they match your market positioning on the right-hand side of the business model!

Since the operational aspects of your business rarely correspond to just one customer segment, there is no need to differentiate the different post-its. You can use a neutral colour like white.

After completing your business model canvas, head over to module 4 to take a closer look at your operations.”

List of Reference:

Graph sources:

- Unless otherwise noted, all graphics and case studies from OTOO, M. (Editor), DRECHSEL, P. (Editor) (2018): *Resource Recovery from Waste. Business Models for Energy, Nutrient and Water Reuse in Low- and Middle-Income Countries*. International Water Management Institute (IWMI). Routledge

Image sources:

- Unless otherwise noted, all images from IWMI flickr library www.flickr.com/photos/iwmi/

*Information and data were compiled to our best knowledge, but mistakes remain possible. In such a case we apologize and kindly ask for feedback to correct them.