BUSINESS MODELS FOR SUSTAINABILITY

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What is a Business Model?

"a conceptual tool that contains a set of elements and their relationships and allows expressing a company's logic of earning money. It is a description of the value a company offers to one or several segments of customers and the architecture of the firm and its network of partners for creating, marketing and delivering this value and relationship capital, in order to generate profitable and sustainable revenue streams." (Osterwalder, 2004)

What is a Business Model?

In just some words, what is a business model?

"a conceptual tool that contains a set of elements and their relationships and allows to express the business logic of a specific firm."

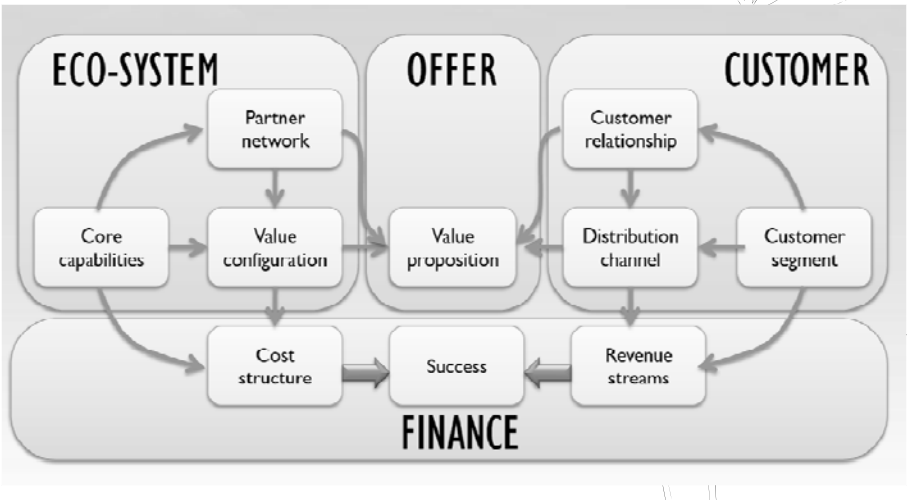
(Osterwalder & Pigneur, 2002)

or

"stories that explain how enterprises work."

(Magretta, 2002)

The Business Model Ontology



Adapted from Osterwalder and Harper

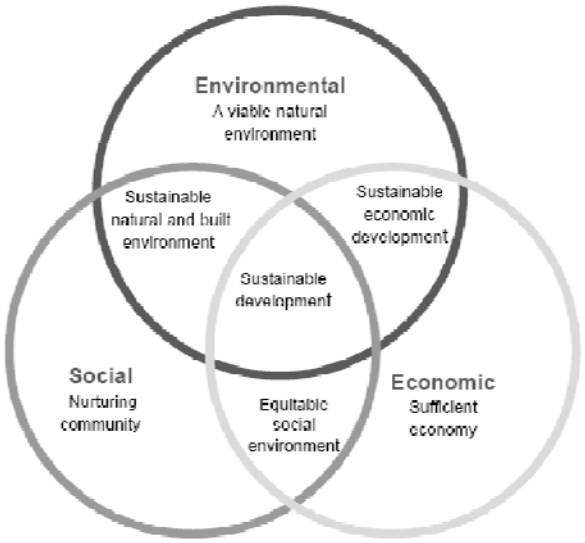
Formation of Business Model

- Business models are formed through a process of addressing a series of questions:
  - What is the value proposition?
  - What are the target markets?
  - Who are the critical members of the team?
  - Where does competitive advantage exist?
  - Why is there a competitive advantage?
  - When will development, launch and cash flow breakeven occur?

(Glenn A. Okun)

Business Models for Sustainability

Business models for sustainable development aim to deliver economic, social and environmental benefits – the three pillars of sustainable development – through core business activities. In these models, the value proposition includes social, environmental and economic values, while value distribution within the whole market chain is a key feature. (Ben Garside, 2010)



Key factors of success business models for sustainable development

- Businesses need to build their own capacities and strategic alliances with other enterprises, government agencies and development practitioners.
- Involving local communities as partners and co-designers of new models enhances local buy-in and ownership.
- Business models for sustainable development need to be self-sustaining in the long term. However, significant investment of time and resources at the start is key for successful innovation and scale-up.
- Trade-offs among different sustainable development goals – economic, social, environmental – need to be recognized and addressed.
- Ongoing monitoring and evaluation need to be built in to the business model.

(Ben Garside, 2010)

Cooperative Business Model for Sustainability

What is a cooperative?

"An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. . ."

The International Cooperative Alliance (ICA)

What is a cooperative?

1. Owned by members
2. United voluntarily
3. Designed to meet their members' needs
4. Democratic nature
5. Not for profit organization

Core Goal of Cooperatives

The delivery of fairly priced goods and services that satisfy human needs and bring quality of life, while progressively reducing ecological impacts and resource intensity throughout the life cycle, to a level at least in line with the Earth's estimated carrying capacity.

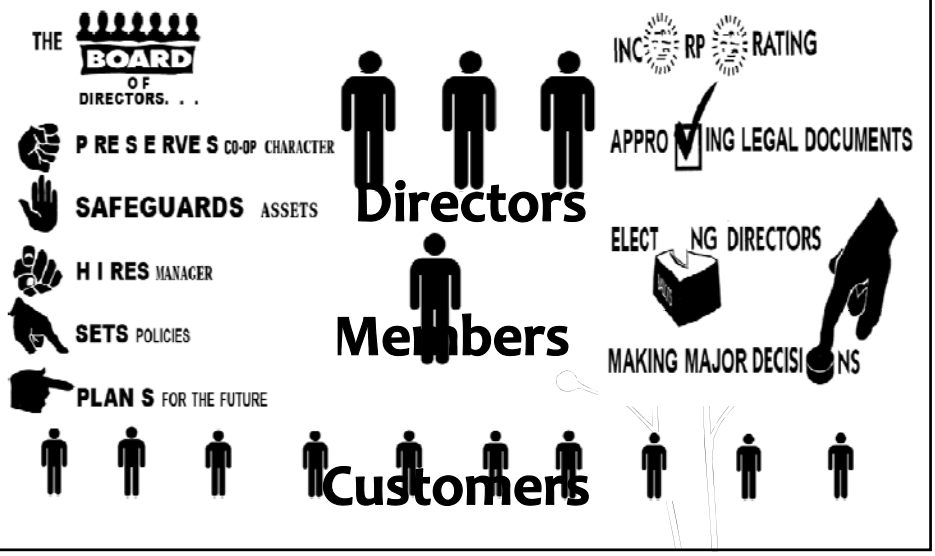
Traditional vs. Cooperative Business Model

- Self-interest (win-lose)
- Maximize Individual Wealth
- Short-term
- Global Fear
- Autocratic
- Information Control
- Bigger is Better

- Mutual Benefit (win-win)
- Fulfill Collective Needs
- Long-term
- Local Empowerment
- Democratic
- Information Sharing
- Small is Beautiful
- Decentralized
- Visionary Change

Competitive (Free-Market) Versus vs. Co-operative (Fair Market) Economic Systems

How does a co-op work?



Types of cooperatives

Consumer cooperatives	•Businesses owned and governed by people who want to buy from the co-op. •Retail in nature. • E.g. Groceries, electricity or telephone service, housing, healthcare.
Worker cooperatives	•Organization owned and operated by the workers or staff of the business. •E.g. are print shops, copy centers and bookstores; small manufacturing, construction and engineering firms; homecare and daycare professionals; restaurants and bakeries, auto repair shops.
Producer cooperatives	• Owned and operated by producers • Organization formed to offer its members expanded marketing capabilities and production efficacy. • Agricultural arena: farming, fishing, and forestry

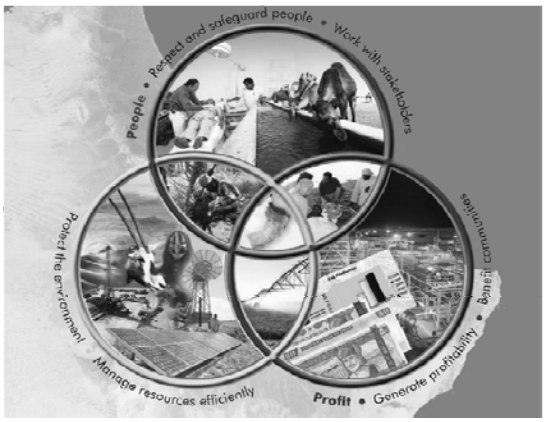
Examples in Vietnam

Consumer cooperatives	• Hợp tác xã tiêu thụ thực phẩm nông sản Thái Bình; • HTX DVNN Cẩm Hà - "đầu mối" tiêu thụ rau Trà Quế, Quảng Nam
Worker cooperatives	• HTX Quang Minh chuyên sản xuất mặt hàng thủ công mỹ nghệ xuất khẩu;
Producer cooperatives	• HHTX Sản xuất Rau an toàn Tân Phú Trung • HTX Mây Tre Lá Ba Nhất

Why are cooperatives behind the scene? A little history

- Cooperatives were recognized in law in 1793
- Industrial and provident societies in 1852, joint stock companies in 1855.
- Why do not many people know this?
  - Because the investor-owned business has recently become the dominant type, casting a shadow over other types of business.
  - Membership-based type is known by several names – mutual, cooperative, self-help group, business club, economic association

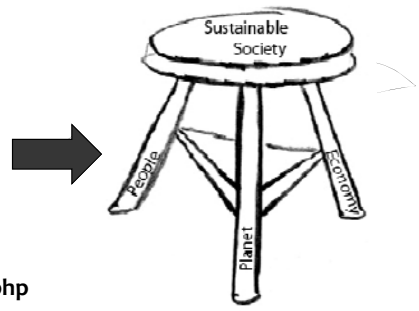
Cooperatives are sustainable



"TRIPLE BOTTOM LINE"

Co-ops build Social sustainability

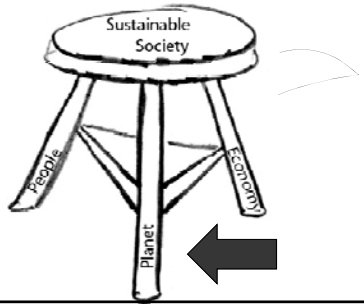
- **Meet the needs of the present generation without compromising the ability of future generations**
- **Cooperatives help to build the skills of democracy**
- **Working together, people learn how to clearly state what they believe, how to listen carefully to the ideas and needs of others, how to build consensus on the best direction to pursue, and how to get the most important things done.**



Source: http://www.cdi.coop/community.php

Co-ops build Environmental sustainability

- **Co-ops are dedicated to helping individuals adopt more responsible patterns of consumption, thereby consuming fewer resources.**
- **Support practices that return value to our environmental resources.**



Source: http://www.cdi.coop/community.php

Co-ops build Economic sustainability

- **Cooperatives help retain money and resources within the community.**
- **Cooperatives help increase a community's resources.**
- **Jobs, profits, and resources stay in the community longer**
- **They are far less likely to move the business out of the community**

Source: http://www.cdi.coop/community.php

Cooperatives contribute to the MDG

United Nations

"cooperatives are a key partner in the UN system, they are models of self-help and solidarity, and their contribution to MDG's is 'unique and invaluable'"

Source: ILO, Geneva, Cooperatives and the MDG

Cooperative resilience in times of crisis

- Refocus of the business
- Increase its capital ba
  more risk-averse
  to achieve cos
- Rediscov
  memb
  a
  bu
- E.g. In
  commitmen
  including the fi
  environmentally fri

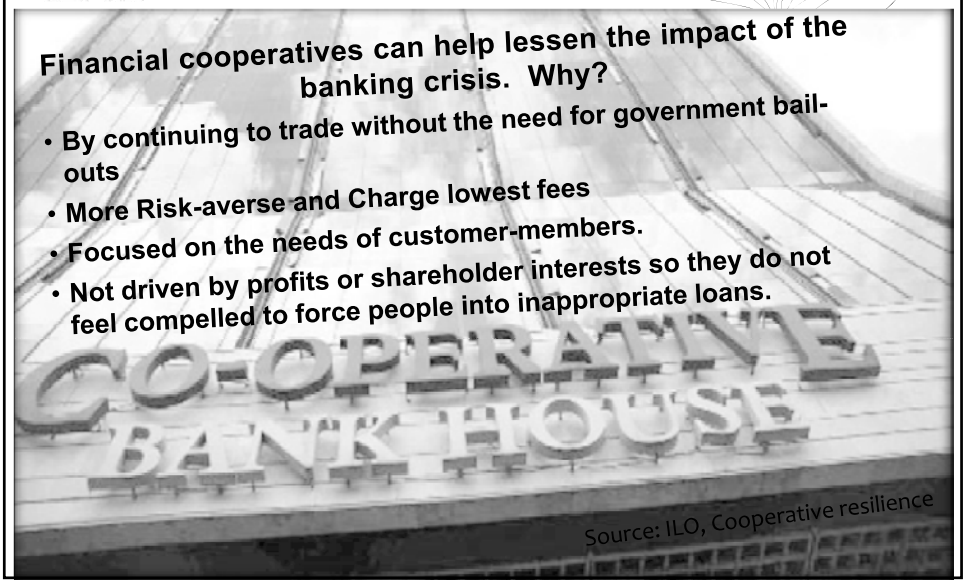
There is a growing confidence in the cooperative business model and a sense that it is going to be a key player in the restoring of confidence in the banking system.
-ILO

Source: ILO, Cooperative resilience

Cooperatives in time of crisis

Financial cooperatives can help lessen the impact of the banking crisis. Why?

- **By continuing to trade without the need for government bail-outs**
- **More Risk-averse and Charge lowest fees**
- **Focused on the needs of customer-members.**
- **Not driven by profits or shareholder interests so they do not feel compelled to force people into inappropriate loans.**



Source: ILO, Cooperative resilience

Co-operatives are significant economic actors in national economies

- **SOUTH AMERICA**: In Brazil, co-operatives are responsible for **40% of the agricultural GDP**
- **EUROPE**: In Denmark, consumer co-operatives in 2007 held **36.4%** of consumer retail market.
- **AFRICA**: In Kenya, co-operatives are responsible for **45%** of the GDP and **31%** of national savings and deposits. They have **70%** of the coffee market**, 76%** dairy, 90% pyrethrum, and **95%** of cotton.
- **ASIA:** In Korea, agricultural co-operatives have a membership of over 2 million farmers (90% of all farmers), and an output of USD 11 billion. The Korean fishery co-operatives also report a market share of 71%.
- **In New Zealand, 22%** of the gross domestic product (GDP) is generated by co-operative enterprise. Co-operatives are responsible for 95% of the dairy market and 95% of the export dairy market. They hold 70% of the meat market, 50% of the farm supply market, 70% of the fertiliser market, 75% of the wholesale pharmaceuticals, and 62% of the grocery market.

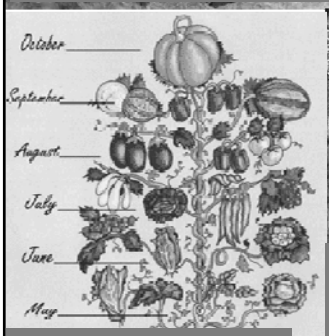
SOURCE: International Cooperative Alliance

Cooperatives put TRUST back in the food system

Community Supported Agriculture (CSA)

Anyone can be a member

The farmers of the Siskiyou Sustainable Cooperative are committed to providing the highest quality, fresh, clean food to our community from within the region.



Eat healthy in-season food

Internships assist beginning farmers to expand their knowledge and experience of sustainable agriculture

The CSA connects consumers directly to local farmers. As a CSA member

Consumers have the right to know how and where their food is grown.

Source: Honestweight.coop

100 Mile Diet

Local Eating For Global Change.

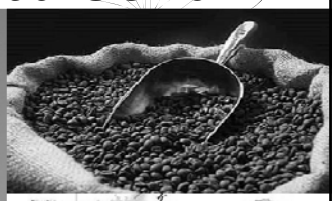
Honest Weight Food Co-op

Our mission is to promote more equitable, participatory and ecologically sustainable ways of living. We welcome all who choose to participate in a community which embraces cooperative principles, shares resources, and creates economic fairness in an atmosphere of cooperation and respect for humanity and the earth.

-Honest weight Co-op

Kilimanjaro Native Co-operative Union

- Reputation throughout the world as one of Africa's finest coffees.
- Kilimanjaro region
- Organic Agriculture
- Farmers Training
- Organic Fair Trade



Small Co-ops do make a difference!

- **Canadian co-op**
- **Principle: our limited natural resources should be used wisely.**
- **Goals:**
  - **Put more bicycles on the road**
  - **Providing affordable, recycled bikes to the community**
  - **Reduce materials going into landfills by recycling bikes and bike parts**

Re-Cycles

SOURCE: Re-cycles.com

SUSTAINABLE OTTAWA
COMMUNITY ENERGY
CO-OPERATIVE

Modern

VERTdesign
architecture & planning

osp Ottawa Solar Power

extraordinary
The Baby Shoppe

the table

WORLD MOSAIC (OTTAWA) INC.

Planet

Arbour
Environmental Shoppe

bullfrogpower

universal appliances

Apples Oranges

La Tierra Coop

THE HEALTHIEST HOME

BUSHTUKAH

Sustainable HOME

energy technologies that

Sustainable FOOD

sustainable in order to

Sustainable TECHOLOGY

residents.

Co-operatives worldwide

SOURCE: (ICA) international cooperative Alliance

"Co-ops are an alternative way of doing business, but an equally profitable way of doing business."
-ICA

"Cooperatives are the world's best hope of achieving peace, prosperity, and social equity in this new century, and it is there that the eyes of the world need to turn."
- UN

Thank you for listening