



Using the Business Model Canvas To Examine Ireland's Housing Crisis

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Introduction

Ireland is experiencing an ongoing chronic housing shortage which is contributing significantly to the homelessness crisis in Ireland – the critical issue needs an innovative approach to develop a solution. How can elements of the lean start-up approach used in the entrepreneurial world be used to analyse a public problem and start to develop solutions? In particular, how can a lean concept such as the Business Model Canvas¹ (BMC) be used to start to think about what a solution might look like and how it logically might fit together?

Visualising a solution – the Business Model Canvas.

In general, the lean approach allows you to invest as little as possible in early, often faulty attempts at solving problems. By failing as quickly and as cheaply as possible, the right answers are arrived at more quickly and cost effectively. The Lean Startup is one way most innovators build startups and innovate inside of existing companies. As a formal method, the lean startup consists of three parts:

- The Business Model Canvas – to frame hypotheses
- Customer Development – to test those hypotheses in front of customers
- Agile Engineering – to build Minimum Viable Products to maximise learning.

The Business Model Canvas is a strategic management and lean startup template for developing new, or, documenting existing business models. It is a visual chart with elements that 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 has been a great tool for everyone from startups to large companies. Unlike an organisation chart, which describes how a company executes to deliver known products to known customers, the Business Model Canvas illustrates the iterative development of ideas that most new ventures face. The nine boxes of the canvas (see *Figure 1 - Business Model Canvas - Online Training Website* for a simple example) let you visualise all the components needed to turn customer needs/problems into a profitable company.

Missions in the Public/Not for Profit Sector – Revenue v Benefits

The Business Model Canvas has given a good framework to start to think about building businesses where generally the aim is to earn more money than you spend. What if you're local or central government, a public body or part of the not-for profit sector? In these cases, you don't earn money (all the time!), but you mobilise resources and a budget to solve a particular problem and create value for a given group (e.g. HSE – service recipients, GAA – players, SEAI – households & companies, Arts Council – the general public, NRA – drivers on the countries roads, etc.).

For these organisations, the canvas box labelled Revenue Streams doesn't make sense. In mission-driven organisations such as those above, there is no revenue to measure. So the first step in building a canvas for mission-driven organisations is to think about changing the Revenue Stream box in the canvas and come up with a counterpart that would provide a measure of success. This alternative can be seen to deliver benefits and can be called Mission Achievement and the overall approach the Mission Model Canvas².

¹ Source: <http://www.businessmodelgeneration.com/canvas/bmc>

² Source: Steve Blank. To recap – a mission statement is a one statement sentence describing a reason a programme or organisation exists. In the case of this issue (the housing crisis) the mission statement of government could be "to ensure that everyone in Ireland can have a home"

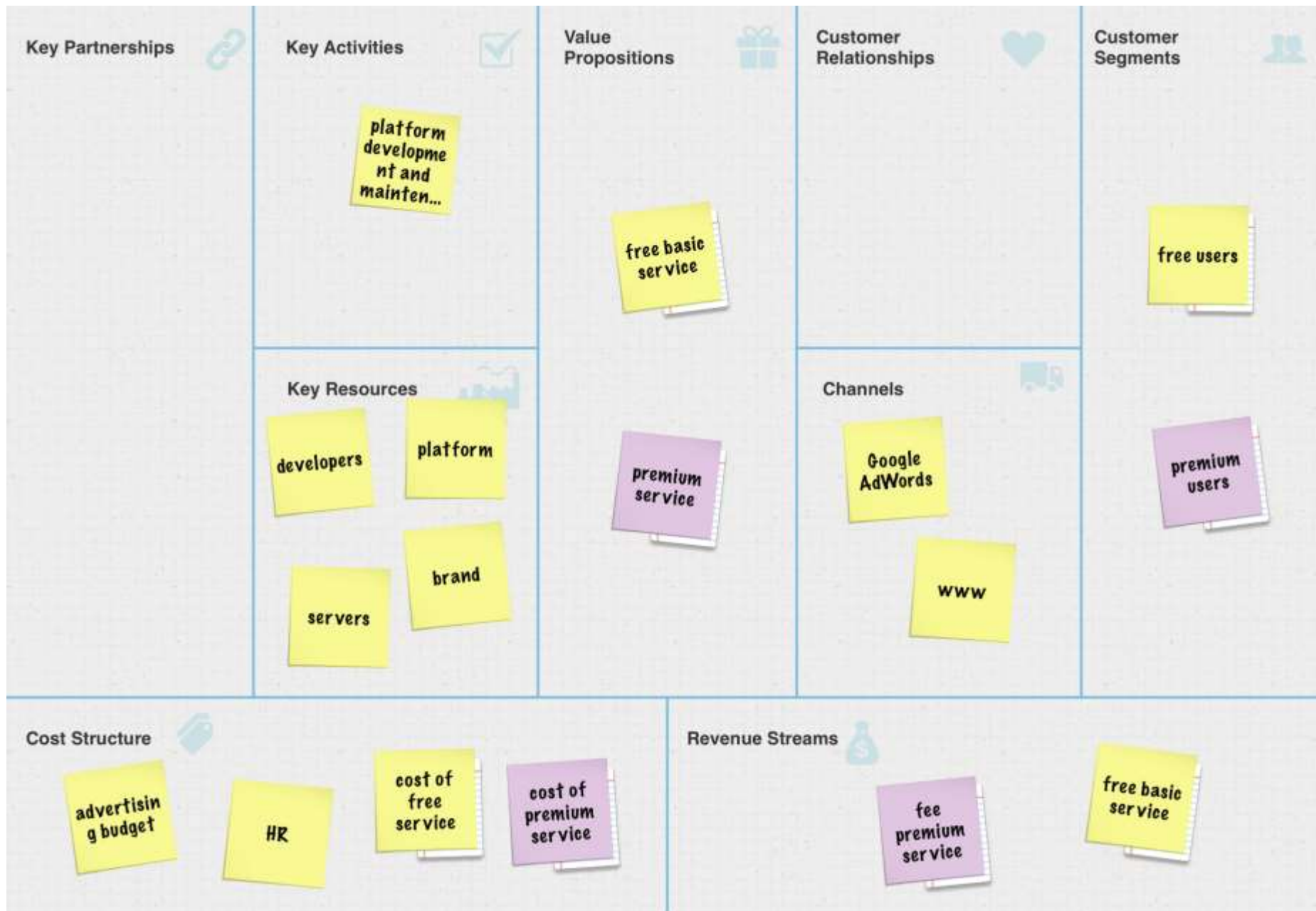


Figure 1 - Business Model Canvas - Online Training Website

Adapting the Business Model Canvas

With a focus on benefits delivered over revenue and profitability the Business Model Canvas needs four tweaks to make it a useful tool in this sector:

- Customer Segments is changed to Beneficiaries
- Cost Structure is changed to Programme Costs/Budget
- Channel is changed to Programme Deployment Route
- Customer Relationships is changed to Buy-In

Taking the current housing crisis as a case study the rest of this article explains the how and why of these changes to the original Business Model Canvas to make it more useful for the Public and Not-for-Profit sectors and illustrates how it could be used.

A mission Model Canvas to examine the housing crisis

In 2016 the Government published “The Action Plan for Housing and Homelessness”. Starting and building from this document I have distilled the information to prepare a Mission Model Canvas which follows as *Figure 2 - Housing Crisis Mission Model Canvas*. This canvas serves to illustrate the approach.

Customer Segments Change to Beneficiaries

At first glance, when considering “how to ensure that everyone in Ireland can have a home”, the customer appears obvious – it’s people who need a home. The ‘home needers’ will articulate pains in terms of needing space for x# people, somewhere for kids to play safely and do their homework etc. But there are other key players involved with their own pains. Central procurement will look at how best to deliver the housing, the Department of Finance may look at the impact on the national accounts, support organisations and local government may need to worry about maintaining the housing stock if rented out and they own it, planners need to make sure the housing developments fit with local plans. So yes, ‘home needers’ are one customer segment, but others need to be involved before an occupier can ever see the house.

So the first insight is that in the public sector, mission models are always multi-faceted. With the goal of not only providing houses but deploying a programme of interlinked activities and supports touching a range of stakeholders which achieves all elements of the particular mission and delivers its benefits. Secondly, in the public sector there are multiple layers of customers in a value chain. Your product/service is just part of someone else’s larger system. So to differentiate “customers” from the standard Business Model Canvas we’ll call all the different customer segments and the layers in the housing value chain – beneficiaries.

The Value Proposition Canvas

Of all the nine boxes of the canvas, two critical parts of the model are the relationship between the Value Proposition (what is being delivered) and the beneficiaries. These two components of the business model are so important that they are given their own name Product/Market Fit. Due to the complexity of multiple beneficiaries and to get more detail about the beneficiaries gains and pains, one can use the Value Proposition Canvas³ to gain some insights and develop unique solutions. This functions like a plug-in to the Mission Model Canvas, zooming in on individual value propositions to describe the interactions among these beneficiaries⁴ – key workers, at risk families, rough sleepers etc. and the product/service/solution in more detail.

³ Source: <http://www.businessmodelgeneration.com/canvas/vpc>

⁴ In the reference Canvas value propositions are colour coded matched to the beneficiary they look to serve.



Figure 2 - Housing Crisis Mission Model Canvas

Using the Value Proposition Canvas with the Mission Model Canvas lets you see both the big picture at the mission model level and the detailed picture of each beneficiary at the “product/market fit” level.

In public sector business models, there will always be multiple beneficiaries – it is important that each beneficiary gets its own separate Value Proposition Canvas.

Distribution Channel Changes to Deployment

In the commercial/for-profit sector we ask, “What type of distribution channel (direct sales, online, agency, etc.) do we use to get the product/service from our company to the customer segments?” For central or local government, the question could be:

- “What will it take to deploy the product/service/solution from our current Minimum Viable Product to widespread use among people who need it?”
- “What constitutes a successful program deployment?”

Customer Relationships Changes to Buy-In/Support

In an existing business, Customer Relationships are defined as establishing and maintaining a relationship to support existing customers. In a startup Customer Relationships have been redefined to answer the question: How does a company get, keep and grow customers? For the public sector, Customer Relationships can be modified to mean, “For each beneficiary (customer segment), how does the team get “Buy-In” from all the beneficiaries?”, and, who needs to be supportive? In some respects, these are the stakeholders that need to be supportive of the plan proposed.

Customer discovery and consultation with stakeholders helps you understand whose buy-in is needed in order to deploy the overall programme of deliverables (legal, policy, procurement, state aid issues etc.) and how to get those stakeholders to buy in? In addition, the long-term support and maintenance of new projects need to be articulated, understood and bought-into by all of them.

At times a favourite way to kill something can be to coordinate it to death by requiring buy-in from too many people too early. How to determine who are the critical people to get buy-in from and then who are the next set required to first sustain the iterative development of future MVP's is one of the arts of entrepreneurship in the public sector.

Revenue Streams Changes to Mission Achievement

Mission Achievement is the value and benefit you are creating for the sum of all of the beneficiaries/the greater good – these benefits can be financial and non-financial, tangible and non-tangible.

It's important to distinguish between the value for individual beneficiaries (on the Value Proposition Canvas) and overall Mission Achievement. For example, Mission Achievement could be measured in a variety of ways: the number of families housed, the number of houses built, the decrease in homeless people sleeping rough each night etc. None of these are measured in euros and cents. Keep in mind, there is only Mission Achievement if it delivers value to the end beneficiary.

Conclusion

In the public sector the metrics of success are not (at all times) revenue but Mission Achievement and the impact of a mission's benefits. This required that the Business Model Canvas be adopted so that it can be used effectively for mission based organisations.

This has been done by modifying the Business Model Canvas into a Mission Model Canvas which can be used to visualise and frame hypotheses – this involved a number of modifications:

- Changed Revenue Streams to Mission Achievement
- Changed Customer Segments to Beneficiaries
- Change Cost Structure to Programme Cost/Budget
- Change Channel to Deployment
- Change Customer Relationships to Buy-in/Support

Organisations, public bodies and not-for-profit groups without specific revenue goals can now use a version of the Business Model Canvas as illustrated here to analyse and address issues such as the current housing and homelessness crisis.

About Keogh Consulting

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Our consultants have practical industry experience in a range of sectors gained over 25 years in nearly every aspect of a projects life cycle and have advanced degrees in engineering, business administration, finance and corporate governance. We provide a broad range of integrated services touching upon almost every aspect of a project from idea generation to operation and have advised on projects ranging from business start-ups to major public capital projects and programmes.

Should you require further information on how Keogh Consulting can help your project please contact Barry Keogh at barry@keoconsult.com.