

The business model canvas of NGOs



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Preface

This research is conducted as part of the Master of Science in Management degree at the Open University in the Netherlands. Having started my career in the corporate sector and now having spent the last eight years in the Non-Governmental Organisations (NGO) sector, I wanted to conduct a research that combines my business background with the reality of the NGO sector to produce something that would be of practical benefit to NGOs and the academic world, something that would not be another report gathering dust, but a tool that NGOs could use in their daily work.

After having developed a conceptual model, it was tested with several Foundations and International NGOs. During this testing phase two of the organisations started using the tool straight away, one for communication purposes and the other for internal discussions. This was very motivating. There are a lot of people and organisations who I would like to thank for their contribution, support and time.

First, I would like to thank Dr Frank de Langen, who was my supervisor during this research. He has great in-depth knowledge on the subject of business models and that in combination with his communication skills and approachable as well as supportive mentoring style, made it both a pleasure and a great learning experience working for him.

Second, I would also like to thank all the people and organisations whom I have interviewed for their time, insight and comments on the conceptual business model canvas.

And finally I would like to thank my husband Devendra Rana for all his support and patience.

Executive Summary

In 1999 the global non-profit sector had a turnover of over \$1 trillion with 19 million fully paid employees. It was the equivalent of the eighth largest economy (Sustainability 2003). Despite this, it was poorly understood. In 2008 Lambell, Ramia, Nyland and Michelotti concluded that non-governmental organisations (NGO) are still relatively absent from the mainstream scholarly management and broader business studies literature. On the other hand, business models and business model canvas is a subject that has been discussed and much researched since the publication of Osterwalder’s dissertation in 2004.

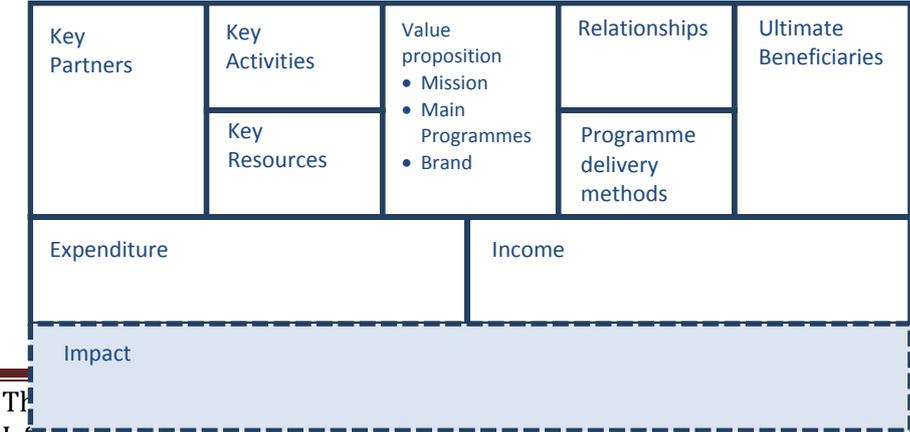
The importance of the NGO sector and a desire to better understand their business models was the inspiration for this research - the creation of a tool useful for NGOs, academics and practitioners. Hence, the main objective is the development of a specialized business model canvas for NGOs. The central research question of this study is defined as *‘how is a NGO business model canvas structured?’*

A business model canvas for NGOs was conceptualised utilising Osterwalder and Pigneur’s (2010) third party funded model as the foundation. The building blocks and definitions were initially based on literature review sources (business, social business and NGO management literature). Following interview responses and analysis of annual reports of NGOs both the building blocks and definitions were adapted to align better to NGO terminology. These are presented below.

This conceptual business model canvas for NGOs was tested through interviews with four NGO experts and leaders of two Foundations and five International NGOs (INGO) using the case study method. This testing led to the development of two separate business model canvases. The canvas for Foundations is a slight adaption from Osterwalder and Pigneur’s third party funding business model (2010). The other canvas is applicable for INGOs with multiple streams of income. This is made up of two sections, one for programmatic and the other for fundraising/ marketing and financing activities. This division is the result of a desire to maintain clarity and hence the usability of the business model canvas as a tool for communications, visualization of business models and analysis. The interviewees confirmed the practical relevance and utility of the business model canvas. In addition, it has academic relevance due to the business model canvas’s specific usage for NGOs. This provides a basis for further research, such as, comparative analysis and historical analysis of NGO business models and so forth.

Business model canvas for Foundations

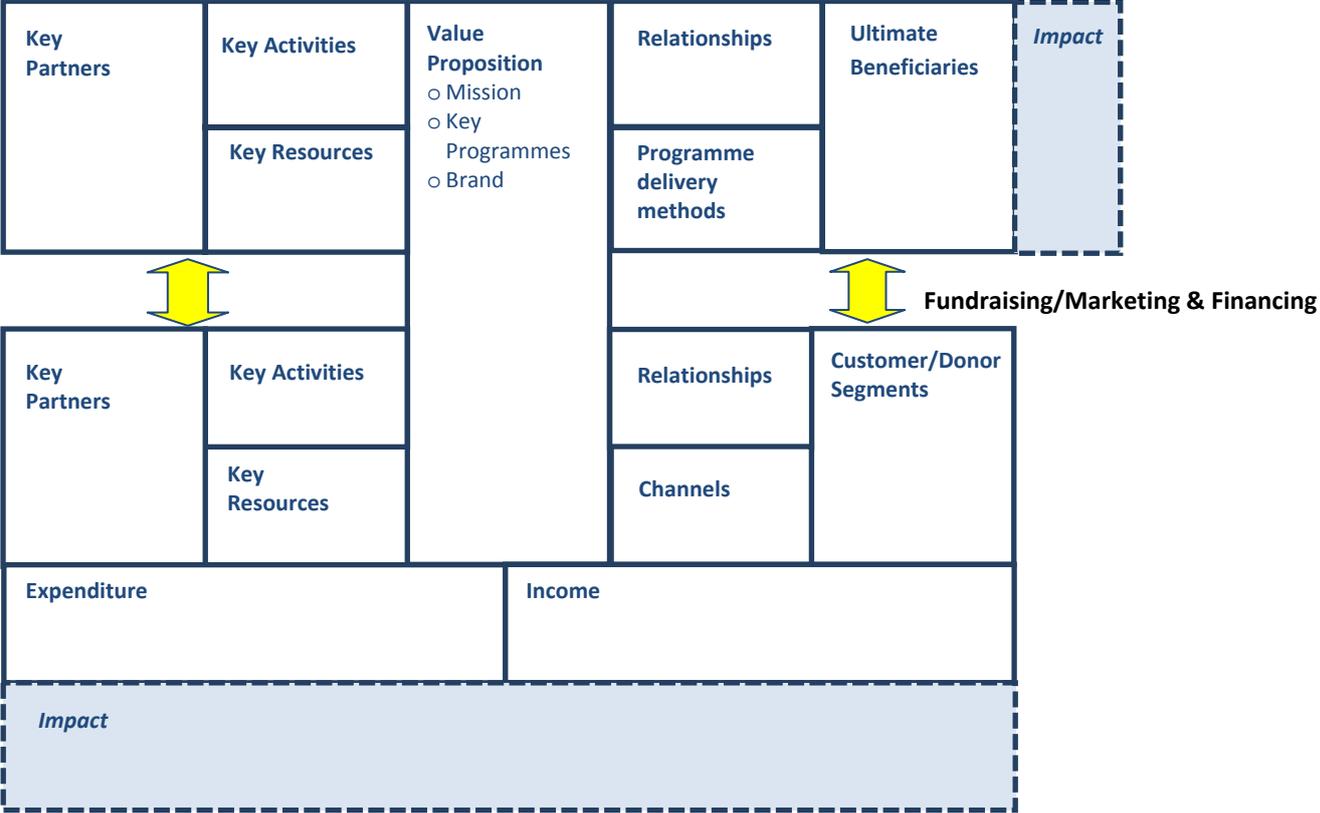
Vision:



Business model canvas for INGOs

Vision:

Programmatic



Key definitions		Source
Business model	A business model describes the rationale of how an organization creates, delivers, and captures value.	Osterwalder & Pigneur (2010)
Vision	Outlines what the organization wants to be. It can be emotive and is a source of inspiration. For example, a charity working with the poor might have a vision statement which reads "A World without Poverty."	Adapted from interviews
Key Partners	The network of cooperative agreements with other people or organizations (including governments) necessary to efficiently offer and distribute the organisation's mission and programmes.	Adapted from Michelini & Fiorentino (2012) and interviews
Key Activities	The main actions which an organisation needs to perform to create its value proposition.	Adapted from Osterwalder & Pigneur (2010) and interviews
Key Resources	The physical, financial, intellectual or human assets required to make the business model work.	Osterwalder & Pigneur (2010)
Value Proposition	The organisation's mission, its main programmes and brand.	Adapted from Baguley (2009); Collins (2005); Michelini & Fiorentino (2012); Osterwalder & Pigneur (2010), NGO annual reports and interviews
Mission	Defines the fundamental purpose of an organization, succinctly describing why it exists and what it does to achieve its vision. For example, the charity working with the poor can have a mission statement as "providing jobs for the homeless and unemployed".	Adapted from interviews
Relationships	The type of relationship the organisation has established or wants to establish with each key beneficiary or donor segment.	Adapted from Osterwalder & Pigneur (2010)
Programme delivery methods	The method which the organisation uses to achieve its mission or programme activities to the beneficiaries.	Adapted from Osterwalder & Pigneur (2010) and interviews
Ultimate Beneficiaries	The target group who the organisation principally aims to reach and serve to achieve its vision/mission.	Adapted from Sleurink (2002) and interviews
Channels	The methods of communication, distribution and sales used by the organization to interface with its customer/donor segments.	Adapted from Osterwalder & Pigneur (2010)
Customer/Donor Segments	The different groups of customers and/or donor segments which the organisation targets for its fundraising activities. In this component customers tend to be more related to the merchandising section of the organisation and donors tend to be related to the fundraising section of the organisation.	Adapted from Osterwalder & Pigneur (2010); Sleurink (2002) and interviews
Income	The income or funding streams, this could be: donations, merchandises/sales, investments or other income streams available for the organisation to work on its value proposition.	Adapted from NGO annual reports and interviews
Expenditure	The total expenses which the organisation incurred (or will incur) to implement the agreed activities.	Adapted from Osterwalder & Pigneur (2010), NGO annual reports and interviews

Impact	The higher-level situation that the project or programme aims to achieve.	Adapted from interviewee who based it on the British Development Agency (DFID) terminology
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1 Introduction

1.1 Driver of the research

In 2008 Lambell, Ramia, Nyland and Michelotti mention in their research that the profile of Non-governmental organisations (NGOs) in relation to business, management and society has increased significantly over the past two decades. Despite this NGOs have been relatively absent from mainstream scholarly management and broader business studies literature. They, thus remain significantly less well understood than their for-profit counterparts. To address this shortcoming, it was decided to conduct research that combines NGOs and business literature. The original objective of this research was to review the changing business models of NGOs over the past 15 to 20 years, and to examine the casual factors for these changes. However, when conducting this research it was discovered that a tested tool for examining and measuring changing NGO business models was not available. This changed the original focus of the research.

Business model canvas is a subject that has been discussed and much researched since the publication of Osterwalder's dissertation in 2004. This initially mostly focussed on e-business and companies. In the last few years the business model research area has expanded to include social business (Michelini & Fiorentino, 2012; Yunus, Moingeon, & Lehmann-Ortega, 2010), NGO - business sector partnerships (Yaziji & Doh, 2009), solution-orientated businesses (Storbacka, 2011), sustainable businesses (Boons & Lüdeke-Freund, 2012), living systems (Senge, Smith, Kruschwitz, Laur, & Schley, 2010) and individual businesses (Svejenova, Planellas & Vives, 2010). However, this topic is still under-researched and has potential for further academic research, as stated by Michelini and Fiorentino (2012, 573) "*further research should strive to extend the analysis to all the hybrid kind of business models that are being developed with the aim of creating shared value*".

In general, relatively little has been written with regards to the business models of NGOs (also called non-profit or not-for-profit organisations). This was highlighted as far back as 1991 by Dabbs (68), "*Organizational research should take notice of the growing non-profit businesses*", as "*the numerical significance of nonprofits cannot be disputed*". The Sustainability report (2003) stated that in 1999 the global non-profit sector had a turnover of over \$1 trillion, with 19 million fully paid employees, equivalent to the eighth largest economy. However, it is still very poorly understood. One of Sustainability's findings was that one could expect growing interest in NGO priorities, strategies, accountability and business models. Since the Sustainability report (2003) the academic literature, newspaper articles and discussions on NGO transparency and accountability has increased significantly. Nonetheless, the subject of NGO business models can still to be further explored. The combination of a lack of a tested business model framework or canvas¹ for NGOs and the nascent stage of the business model literature led to a change in focus of this research towards developing and testing a business model canvas for NGOs.

¹ The terms business model framework and business model canvas are used interchangeably

1.2 Research objective and research question

In 2010 Osterwalder and Pigneur developed the beyond-business model, a variation of their nine building blocks business model canvas. The beyond-business model has two variants, one, the third-party funded business model is aimed at non-profits, and the other, the triple bottom line business model is aimed at social business. Literature review indicates that the third-party funded business model has not been tested on existing NGOs. It also appears that a business model framework for NGOs has yet to be developed. Micheline and Fiorentino (2012) concluded that further research should be conducted on all hybrid kinds of business models to be able to create shared value. The **objective of this study** is to develop a business model canvas for NGOs follows the above conclusion. This will expand the knowledge of one hybrid business model and provide a practical tool for practitioners, academics and non-governmental organizations. At the same time it provides greater clarity on the business models of NGOs.

Central research question based on the literature review and case studies: how is a NGO business model canvas structured?

Sub-questions

1. What is a business model?
2. What is a business model canvas and what are its components?
3. What is the use of a business model framework or canvas?
4. What is a NGO?
5. Which business models are suitable for NGOs?
6. What are the building blocks² of a business model canvas for NGOs and how would they be defined?
7. How does the conceptual business model canvas and its components based on the literature review relate to the case studies?
8. Based on the results of the case studies, how should the conceptual model be adapted to draw a business model canvas for NGOs that can be used by practitioners, academics and non-governmental organizations?

This research focuses first on investigating the sub-questions in order to answer the central research question. The central research question is open-ended as according to Edmondson and McManus (2007), the less that is known about a specific topic, the more open-ended the research questions.

1.3 Scientific relevance

Following Micheline and Fiorentino (2012), Osterwalder and Pigneur (2010), the Sustainability report (2003), and Vives and Svenenova (2011) this study will broaden the academic knowledge of business models by researching a hybrid kind of business model and creating a tested business model canvas for NGOs, hence expanding the existing business model literature, and also contributing to a better understanding of how NGOs function. The developed business model canvas will enable further research of business models of different NGOs and their evolution over time - the original aim of this research.

1.4 Practical relevance

The literature review has revealed that a tested business model canvas for NGOs does not exist. Such a canvas would be a tool that adds value to NGOs for different purposes: sharing, communicating (internal and externally), describing, analysing, managing, planning and fundraising

² The terms business model components and business model building blocks are used interchangeably

(section 2.2). Kindström (2010) highlights that for researching a particular organisation, a business model approach offers a useful analytical framework to understand the organisation and its inherent parts. As a contributor in Osterwalder and Pigneur's book (2010) identified, one of the biggest obstacles for non-profits to innovate their business model is the inability to understand their existing model. Therefore, a tested business model canvas for NGOs would have practical relevance to support organisations to better understand, communicate and design their business models.

1.5 Method of research

A research model was designed, using the method described by Verschuren and Doorewaard (1998), to act as map throughout the research process. Figure 1 shows the research model and how the different sections of the report are related to the research questions.

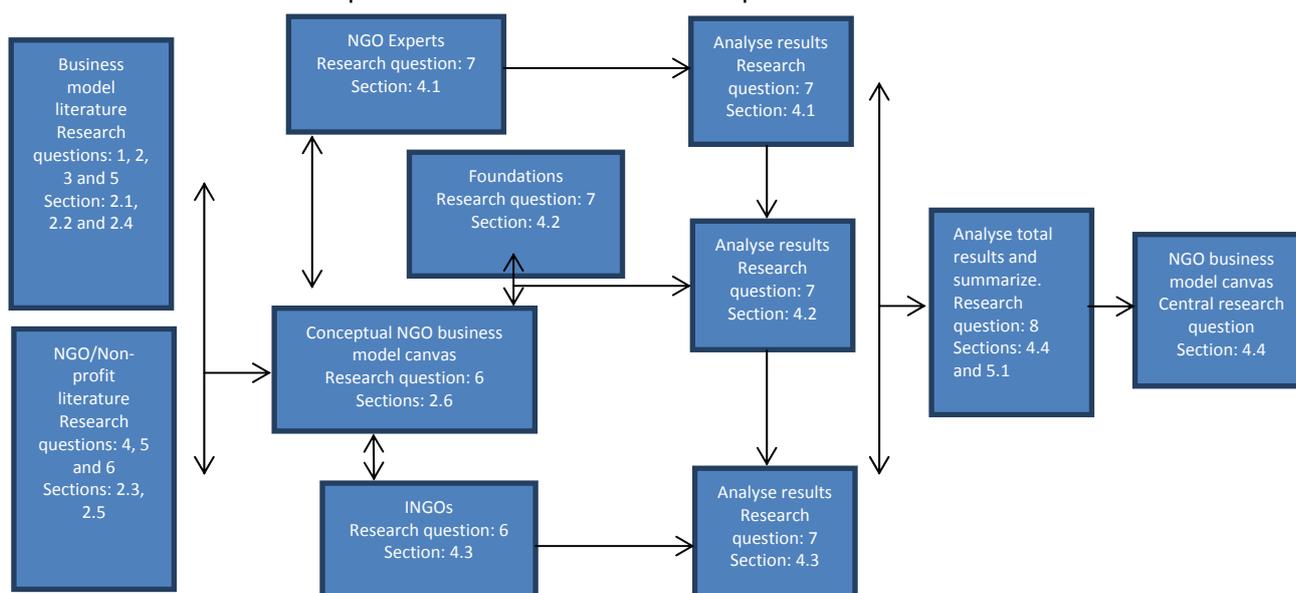


Figure 1: Research model for this study adapted from Verschuren and Doorewaard (1998).

Using several methods of research, a conceptual business model framework was first prepared based on an analysis of the business model, social business and NGO literature. This conceptual model was tested with four NGO experts and on several NGOs (Foundations and INGOs). Foundations are a type of NGO. The key difference between a Foundation and an INGO is that whilst the former functions principally as a grant maker the latter does not (Baguley, 2009). The case studies method provided insight into the structure and components of the NGO business model. Case studies were developed based on interviews and secondary materials (media, brochures, articles and annual reports). Chapter 3 provides further details of the research methodology.

1.6 Structure of the report

This chapter (chapter 1) provides the introduction and structure of the research and the report. The second chapter contains the results from the literature review on business models, business model canvas, business model components, as well as, social businesses and NGOs. This leads to the development of a conceptual business model canvas. The third chapter provides an overview of the methodology used throughout the different stages of the research. Chapter four shows the results of the individual case studies and provides the analysis of the interview results. The report finishes with the main conclusions drawn from the research and the concluding recommendations for further studies.

2 The world of business models, social business and NGOs

In this chapter the different definitions of the research questions are discussed. The building blocks of the business model canvas will be defined to identify those components required to analyse business models of NGOs, thereby enabling the drafting of a conceptual model based on the literature review.

2.1 Business Model definition

Interest in the business model concept has increased significantly since Osterwalder (2004) identified that the concept had hardly been researched, and that it was in the early stages of its evolution (Mansfield & Fourie, 2004). Despite the increased attention, for example, via the special business model edition of Long Range Planning (2010) and the publication of two special issue books on business models by Harvard Business Review in 2010-2011, there is still a lack of clarity about the meaning of business models, (Zott, Amit, & Massa, 2011), and no widely accepted definition, (Casadesus-Masanell & Ricart, 2010; Dahan, Doh, Oetzel, & Yaziji, 2010).

Zott et al. (2011, 1034) refer to Gladwin, Kennelly, & Krause's (1995) statement "*that definitional and conceptual disagreement is to be expected during the emergent phase of any new potentially big idea of general usefulness*". The lack of clarity around the meaning of business model and no definitive definition has catalysed researchers, like Al-bei, El-Haddadeh and Avison (2008); Brettel, Strese and Flatten (2012); Chesbourg (2006); Dahan et al. (2010); Osterwalder, Pigneur and Tucci (2005); Perkmann and Spicer (2010); Zott et al. (2011) and many more, to research business models and begin to identify different streams and meaning. The lack of a definite definition has meant that most of the studies start with a summary overview of the different business model definitions with some of them grouping the definitions into categories. The lack of definitional clarity has also meant that most papers define their meaning of business model to set the context.

Some researchers studied the different ways business models are described, like Zott et al. (2011). Their conclusion is that depending on the focus of the research, business models can be used to describe:

- a) E-business and the use of information technology in organizations;
- b) Strategic issues, such as value creation, competitive advantage, and firm performance;
- c) Innovation and technology management.

In addition, they identified that:

- 1) The business model is a new unit of analysis that is distinct from the product, firm, industry, or network. It is centered on a focal firm, but its boundaries are wider than those of the firm;
- 2) Business models emphasize a system-level, holistic approach to explaining how firms 'do business';
- 3) The activities of a focal firm and its partners play an important role in the various conceptualizations of business models that have been proposed; and
- 4) Business models seek to explain both value creation and value capture.

Others focussed on identifying the different streams in the business model literature, like Boons and Lüdeke-Freund (2012), or the dominant conceptions (Perkmann & Spicer, 2010), or how business models can be seen (Bask, Tinnilä, & Rajahonka, 2010). While Al-bei et al. (2008, 8) approached the issue in a different manner by grouping the different business model definitions to develop a consensus definition, which is described as "*an abstract representation of an organization, be it*

conceptual, textual, and/or graphical, of all core interrelated architectural, co-operational, and financial arrangements designed and developed by an organization presently and in the future, as well as all core products and/or services the organization offers, or will offer, based on these arrangements that are needed to achieve its strategic goals and objectives". Though the definition is for the digital business organization, it can be taken in a broader setting.

In comparing the business model research between the period 2002-2004 and the present day, there now appears to be greater consensus of the business model definition, as most conceptualizations of the business model contain common definitional elements (Dahan et al., 2010). Another finding when reviewing the different studies is that researchers have mostly used the same authors and definitions as until quite recently it was a little researched subject and as at the beginning the business model concept mainly focussed on e-business and technology. Hence, the original academic literature streams dealing with business models were limited, with the same literature studied from different perspectives.

Over time the business model concept has broadened to include other types of organisations and with this the business model definition and research scope has expanded. Initially its main focus was on e-business and the digital technology, Zott et al. (2011), expanding to include other 'traditional' profit-making businesses. With the definition widened by replacing 'business' with the term 'organisation' or 'individuals', the business model concept is seen to be applicable to every organisation (Casadesus-Masanell & Ricart, 2010; Osterwalder & Pigneur, 2010; Vives & Svejnova, 2011). With regards to this last point, even though researchers may not always have adjusted their definition of a business model, they have started to provide explanations regarding the applicability of the business model, like Casadesus-Masanell and Ricart (2010, 129) "*every organisation makes choices, which all have consequences, every organization clearly has a business model of some kind*". Or like Aspara, Lamberg, Laukia and Tikkanen (2011) by highlighting the 'corporate business model' definition in their research, instead of mentioning it as a 'business model', a selection of the different definitions of a business model show this evolution (annex 1).

Shafter, Smith and Linder (2005, 202) note that "*the definition of a business model should be simple enough so that it can be easily understood, communicated and remembered*". This criteria will be taken into account in conceptualising the business model canvas for NGOs. Zott et al. (2011, 1020) argue that:

It appears that researchers (and practitioners) have yet to develop a common and widely accepted language that would allow researchers who examine business model construct through different lenses to draw effectively on the work of others....Scholars do not agree on what a business model is. This is because researchers frequently adopt idiosyncratic definitions that fit the purpose of their studies but are difficult to reconcile with each other. As a result, cumulative process is hampered.

Keeping the issues mentioned above in mind and building on the existing evolution of business model definitions, this research has adapted the following definition: *A business model describes the rationale of how an organization creates, delivers, and captures value*, (Osterwalder & Pigneur, 2010).

This definition was chosen as it:

- meets the above mentioned suggestions of Shafter et al. (2005) and Zott et al. (2011);
- allows for the inclusion and analysis of other broader organisational business models, Casadesus-Masanell et al. (2010) and Osterwalder et al. (2010);
- enables value-added analysis;

- allows for values to be interpreted in a broader manner, Vives et al. (2011) and Zott et al. (2011), and;
- can be used as a basis to develop a business model canvas that can be used to analyse a wider variety of organisations.

2.2 Use of Business Model and Business Model Framework

“It does not always seem to be clear in which context the business model should be analysed nor is it clear which components exactly constitute a business model”, Brettel et al. (2012, 87). This section will focus on providing clarity on the business model framework and its use, by defining the term so as to search for a suitable business model framework for NGOs. One of the major differences between the business model definition and the business model framework is that the business model definition explains what a business model is, while, the business model canvas shows the model of the organization.

Osterwalder (2004) highlights that the business model framework can have several functions: 1) Understanding and sharing, 2) Analysing, 3) Managing, 4) Prospecting, and 5) Patenting, with each function having several sub-functions. While Demil and Lecocq (2010) identify two different uses of the concept: a) a static approach, as a blueprint to fulfil the function of description and classification, and; b) a transformational approach, as a tool to address change and focus on innovation. These can be seen as components of Osterwalder’s understanding, analysing and managing functions. De Langen and Bitter-Rijkema (2012) highlight that the business model framework can be used by a company or organization to ask itself fundamental questions concerning its resources, activities and partnerships for its current, as well as, future potential users. This is analogous to Osterwalder’s understanding, analysing and managing component. Baden-Fuller and Morgan (2010, 157) state that *“one of the roles of a business model is to provide a set of generic level descriptors of how a firm organises itself to create and distribute value”*. It can also be used as a scale model, offer representation or short-hand descriptions of things that are in the world, or role models, that offer ideal cases to be admired. This could be seen as similar to Osterwalder’s understanding and analysing component. Shafer et al. (2005), include in their description also the communication aspect of the business model. While Casadesus-Masanell and Ricart (2010) highlight the understanding and analysis component of the business model.

In addition to the use of business model frameworks by for-profits, Seelos (2010, 23) highlights the use of the business model for non-profits to, *“facilitate better internal coordination of activities and external evaluation of an organization’s potential. For organizations in the not-for-profit sector this might facilitate interaction with philanthropists to highlight the most productive uses of donations, for example, to identify and eliminate important bottlenecks in the business model to achieve scale”*. Sleurink (2002) mentions that business models can help NGOs in guiding their organization’s mission and their strategy to accomplish this, as well as, providing a clear framework for understanding the NGO in relationship to its environment.

Therefore, it can be concluded that the business model framework:

- 1) Describes (Baden-Fuller & Morgan, 2010; Demil & Lecocq, 2010), Captures (Osterwalder, 2004), Understands (Casadesus-Masanell & Ricart, 2010; Osterwalder, 2004);
- 2) Shares (Osterwalder, 2004) and Communicates (Osterwalder, 2004; Seelos, 2010; Shafer et al., 2005) to internal and external stakeholders (Seelos, 2010);
- 3) Analyses (Osterwalder, 2004; Shafer et al., 2005), which can be done objectively and subjectively (Doz & Kosonen, 2010);
- 4) Manages and Plans (Demil & Lacocq, 2010; Magretta, 2002; Osterwalder, 2004);

- 5) Prospects (Osterwalder, 2004; Seelos, 2010), and;
- 6) Patents business models (Osterwalder, 2004).

2.3 Social business

Before going into the business model components, some attention will first be given to social business, as this business model has been included in the component analysis.

Social business sits between for-profit and non-profit sectors and contains elements of both. It has a major overlap with for-profits by that fact that it is a business in which profits are made; however the owner(s) do not intend to make profits for themselves (Yunus et al. 2010). The overlap with the non-profit is that it has a strong social focus; but it is not a charity (Yunus et al.). Hence, social business is based on the concept of shared value and blurs the line between for-profit and non-profit organizations (Michelini & Fiorentino, 2012). The social business concept as explained by Yunus et al. (311) is *“a no-loss, no-dividend, self-sustaining company that sells goods or service and repays investments to its owners, but whose primary purpose is to serve society and improve the lot of the poor”*. Boons and Lüdeke-Freund (2012, 7) explain that the premise of social business is *“to develop self-sustaining instead of profit maximizing businesses, give space to entrepreneurs and managers to focus their business models on social issues”*. Michelini and Fiorentino (2012) distinguish between two business models within the social business sphere, the social business model and the inclusive business model. The former refers to ventures that aim to solve a social problem by using business methods, including the production and sale of products and/or services. These business activities should be undertaken in a way that is at least self-sustaining, and if economic surplus is generated, it should be used to improve the social objectives. The inclusive business model of a social enterprise contributes towards poverty alleviation by including lower-income communities within its value chain while not losing sight of the ultimate goal of business, which is to generate profit. Inclusive businesses connect both supply (producers) with demand (consumers), and the local with the global dimension, thereby creating a positive self-reinforcing process of economic wealth creation and social empowerment. Osterwalder and Pigneur (2010) call the social business model, the triple bottom line business model, as social businesses look for ecological and social benefits, in addition to the economic benefits. They have added two additional building blocks - social and economic costs and benefits to their well-known nine building block business model canvas.

It is relevant to study the social business model for the design of an appropriate business model canvas for NGOs as it combines components of the for-profit and non-profit businesses, and are hence similar to or overlap with the NGO business model. These components are:

- 1) Primary focus on the social and/or ecological benefits, not profit maximisation;
- 2) Work with the more vulnerable sections of society;
- 3) Work a lot with partners;
- 4) Ultimate performance is measured by the impact that they have ‘on-the-ground’;
- 5) Recipient of funding from outside parties. As highlighted by Seelos and Mair (2007) one of the advantages of social business is that they can still apply and receive funding from governments, aid agencies or other donors for their operations or expansions. This last point moves away from Yunus et al. (2010) definition of social business; and
- 6) Following from point 5, though most social businesses run by being at least break-even, they do have a major advantage compared to full-profit-business in that social businesses do not necessarily have to pay-back their investors.

Yunus et al. (2010) have developed a figure to distinguish the different organisational types. Taking into account the issue highlighted in point 5 and 6, two ‘grey’ zones have been added where there is

an overlap between the respective business models (figure 2). Based on this figure one can see the overlap between the social business model and both the non-profit and full-profit business model. Therefore the social business model is an interesting and relevant model for this thesis and is included in the business model components research.

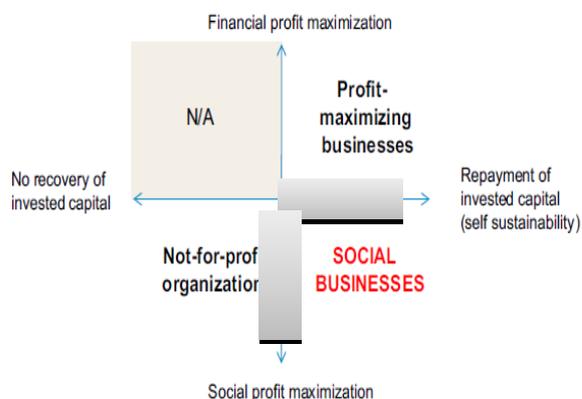


Figure 2 : Social business matrix developed by Yunus et al. (2010) including the grey zones.

2.4 Business Model Components or ‘Building Blocks’

“The term business model...., generally speaking, the concept refers to the description of the articulation between different business model components or ‘building blocks’ to produce a proposition that can generate value for customers and thus for the organization”, Demil and Lacocq (2010, 227). In this section, the business model components or ‘building blocks’ of 14 business model frameworks are reviewed and compared. This will be used for the development of the conceptual business model canvas that will be tested in this research.

14 studies conducted between 2003 and 2012 were chosen for comparison (annex 2). Shafer et al. (2005) looked at the components of a business model in studies published between 1998-2002. Due to this only one publication before 2002 has been chosen, as this was not included in Shafer et al.’s research. All the other studies are from 2003 onwards. In cases where a researcher has published more than once, the most recent publication has been chosen. Publication dates of the 14 studies range from 2001: 1 study, 2003: 1, 2004: 1, 2005: 1, 2009: 1, 2010: 7, 2011: 1 and 2012: 1. For Johnson, material was used which he published in 2010 and 2011 together with Eyring and Nair in the Harvard Business Review. Shafer et al.’s (2005) overview identified 20 individual business model components, which were grouped into four overarching components: strategic choices, create value, value network and capture value. This has been used as the basis for the comparison. It can be seen that several business model components do not exactly match Shafer et al.’s business model components, in addition, other components have been included. For example, the ‘Channel’ building block from Osterwalder and Pigneur (2010).

When looking at the business model components, several points can be noted:

1. Several of the main business model components appear implicit or explicit in nearly all the reviews, irrespective of whether it concerns the business model components related to the earlier ‘narrower’ definition or the more recent ‘broader’ definition of a business model. These are: Customer, Value Proposition, Revenue/Pricing, Output/Offering, Resources/Assets and Processes/Activities. This is in line with the outcome of Yunus et al. (2010).
2. If ‘supplier’ and ‘partners’ are combined as a single business model component it would be mentioned in nine studies. Earlier studies used the term ‘supplier’ while, more recent studies

refer to 'partners' or 'value network', with partners being defined as "*suppliers and other partners that make the business model work*" (Osterwalder and Pigneur, 2010, 38). Itami and Nishino (2010) use the term trading partners which include suppliers.

3. In general, most of the business model frameworks focus on the value proposition and its customers and/or stakeholders. Three business model frameworks seem to differ from the rest. These are Casadesus-Masanell and Ricart (2010), Itami and Nishino (2010) and Storbacka (2011). Casadesus-Masanell and Ricart see a business model as the choices and consequences that an organization makes. These choices can be divided into: Assets, Policies and Governance. Itami and Nishino look at the business model as a combination of a business system and profit model. The study looks more at the value creation and distribution process, internally and externally with its partners, it does not seem to focus on the value proposition and also does not seem to focus on its customers. Storbacka identifies with the solution-orientated business model that the organisation and the customer work together from the start to look for a solution upon which the organisation then tries to sell the ultimate solution to its client this being the same customer. To ensure that the business model captures this collaborative relationship, Storbacka (2011) identified the solution-orientated business model as a framework that: develops solutions, creates demand, sells solutions and delivers solutions.
4. In comparing business model components between 2000-2003 (based on Osterwalder's 2004 dissertation) and the present, it can be noted that in both reviews the value creation/value configuration element was most cited (annex 3). The value proposition component in Osterwalder's study was cited as often as the value configuration, while in this research it was second most frequently cited.
5. The number of business model components that the studies have in common has increased (annex 3). This confirms an earlier finding (section 2.1) that there is now a more general consensus of the business model definition, its meaning and hence its components.

In the following pages I will discuss the components which are found in nine or more frameworks.

Customer: This component defines the customer as being different groups of people or organisations that are targeted, hence the target market. Yunus et al. (2010) define stakeholders as a business model component, and does not specifically mention customers.

Value proposition: This building block describes "*the bundle of products and services that create value for a specific customer segment*", Osterwalder and Pigneur (2010, 22). Chesbourg (2010, 355) articulates it as "*the value created for users by an offering based on technology*". Hedman and Kalling (2003) discuss the offering of the company to its customers, but not the value creation or value proposition. This is also the main difference between the output/offering and the value proposition. The value proposition includes the value creation component of the organisation.

Petrovic, Kittl and Teksten (2003) see it as part of their value model which are core products/services and other value-added services. The solution-orientated business model expresses value proposition that will ultimately enable customers to create value. It focuses less on the organisation's own value-added activities, but more on what it can create as solutions so that the customers can create value. For Lindgardt, Reeves, Stalk and Deimler (2009) the value proposition also includes the revenue model.

Revenue/Pricing: The revenue component represents the cash an organisation generates from each customer segment, as well as, the pricing of the offering, volume, the structure and the timing. Michellini and Fiorentino (2012) also include the way a company manages its money. Yip (2004) does not explicitly mention a revenue component in his business model, neither do Casadesus-Masanell

and Ricart (2010). Hedmen and Kalling (2003) and Storbacka (2011) emphasise the pricing component of the product or service, and not the organisations' revenue model per se.

Output/Offering: The output or offering generally refers to a product, service, or solution that the organisation has generated for its customer(s). In most studies output/offering is part of the value proposition, see annex 2. Chesbrough (2010) and Osterwalder and Pigneur (2010) articulate output more as the value proposition in its total package and less in their value proposition component as opposed to studies, like Yip (2004), Petrovic et al. (2003) and Yunus et al. (2010).

Resources/Assets: Resources/Assets and Processes/Activities, together represent the value creation component of a business model. Resources/Assets describe those essential elements required for a business to prosper. Resources allow the organisation to create and offer a value proposition, reach markets, maintain relationships and earn revenue. The resources can be physical, financial, intellectual, or human. Some researchers like Demil and Lacocq (2010); Hedmen and Kalling (2003); and Osterwalder and Pigneur (2010) have a specific resources/assets business model building block, while others like Chesbrough (2010) have it as part of the assets required to support the organisation's value chain. The resources component is 'hidden' and not specifically mentioned in Itami and Nishino (2010), who focus more on the current and future core invisible assets that can be gained from an organisations' learning system. Michelini and Fiorentino (2012) have also not mentioned explicitly this component though it is part of the value chain activities or competences. This is the only study in this review that does not have resources or assets as a component of their business model representation. Seelos (2010) points out that when constructing a business model an important issue is to clearly define the role of resources in an organisations business model.

Processes/Activities: Describes the most important processes/activities an organisation must do to make its business model work. This is the other business model component which is highlighted as a specific building block by all the studies except Casadesus-Masanell and Ricart (2010). Chesbrough (2010); Lindgardt et al. (2009); Michelini and Fiorentino (2012); and Yunus et al. (2010) include key activities as part of the organisation's value chain. While others like, Eyring, Johnson and Nair (2011) and Osterwalder and Pigneur (2010) have termed it key activities. Yip (2004) calls it 'How to transform input' and Petrovic et al. (2001) Production Model.

Partners/Suppliers: Describes the network of suppliers and partners. Chesbrough (2010) refers to the value network of which suppliers are a component, as does Demil and Lacocq (2010) and Yunus et al. (2010). However the other components of the value network can differ between these studies, for example, both Chesbrough and Demil and Lacocq include competitors, while Yunus et al. include other partners. The definition for the partnership component in a business model used by Michelini and Fiorentino (2012, 566) is: "*Portrays the network of cooperative agreements with other organizations necessary to efficiently offer and distribute value*". Hedman and Kalling (2003) refer only to supplies as being the supply of factor and production inputs and do not refer to suppliers. While Yip (2004) does not describe the suppliers, but mentions the product input into the business model.

Following the above, a sixth point can be added from the study of the business model components:
6. The value proposition and the output/offering components can be combined.

The business model components were re-grouped based on these findings and then re-ordered from most to least used components (annex 4). The most used components (9 or more) in the business model canvasses make up to half of the building blocks of their respective models. In order to gain a more holistic picture of an organisation's business model, additional components need to be considered. This requires consideration of a further five components, these top 10 components are

found in over half the canvases (8) and cover 70% or more of each individual canvas thereby providing sufficient coverage for the canvas. Hence, in developing the conceptual canvas the top 10 will be considered for inclusion (annex 4).

As the research is focussed on the business model of NGOs, an analysis of this organisational form is undertaken in the next section.

2.5 NGO

"If you want to understand NGOs all you need to be able to do is understand Christopher Columbus. When he set off he didn't know exactly where he was going, and when he came back he didn't know exactly where he had been. But he had a huge impact on the world and he did it all on somebody else's money". Kumi Naidoo, CEO of Greenpeace (2011 WWF Annual Conference) explaining how NGOs in general operated before their professionalization.

Even though the term has only existed for slightly over 62 years, NGOs and International NGOs have existed much longer. Associations of like-minded people (i.e. NGOs) have been part of ancient history (Yaziji et al. 2009), and the internationalization of NGOs has been around since the transnational aspirations of religions like Christianity and Islam (Anheier, 2005). The active modern international NGO emerged from anti-slavery societies (1839) and from the International Committee of the Red Cross (1874) (Anheier, 2005; Davies, 2008; Sustainability, 2003).

In 1910, 132 international NGOs decided to co-operate with each other under the label 'Union of International Associations'. The term NGO was introduced in 1945 by the United Nations (UN), in one of their articles to describe the arrangement/relationship between the UN and these types of international organisations. The term NGO entered into the popular usage, from the early 1970s onwards (Willet, 2006). With regards to the 'birth date' of the term, Yaziji and Doh (2009) mention that the term NGO dates from 1950. Even though Willet and Yaziji et al. have mentioned two different dates, they do refer to approximately the same period and they both agree that the term was introduced by the UN.

As highlighted by Gray, Bebbington and Collison (2006) and Willet (2006), NGO is a term that does not have a single recognised and agreed upon definition. In the literature the terms non-governmental organizations, non-profit, the third sector³ and civil society are often used interchangeably (Baguley, 2009; Karajokov, 2007; McGann & Johnstone, 2005; Sustainability, 2003; Yaziji and Doh, 2009). Therefore many articles define the term NGO or describe the key features in their introductions. Sustainability (2003, 13) noted that *"the most widely used term for organizations that are neither run by government nor profit making has been non-governmental organization."* Sustainability (2003, 5) defines NGO as *"self-governing, private, not-for-profit organization geared towards improving the quality of life of disadvantaged people"*. While the UN's Department of Public Information (DPI) (2010, 1) defines them as *"a not-for-profit, voluntary citizen's group, which is organized on a local, national or international level to address issues in support of the public good"*. NGO Monitor (2010, 1) defines a NGO as: *"autonomous non-profit and non-party/politically-unaffiliated organizations that advance a particular cause or set of causes in the public interest"*. Baguley (2009, 2) defines them as *"organisations working outside the market section (they are non-profit making), are not part of the state sector either and characteristically have a voluntary governing body"*. In Willet's (2006, 5) study they are defined as *"an independent voluntary association of people acting together on a continuous basis, for some common purpose, other than*

³ The first sector is the public sector, the second sector is the private sector and the third sector is the NGOs (Mc Gann & Johnstone, 2005).

achieving government office, making money or illegal activities". Lewis (2003) identifies NGOs on the basis of five key characteristics from Salamon and Anheier (1999), they are:

- a) organized and possess some institutional reality;
- b) private and institutionally separate from government;
- c) non-profit-distributing in the sense that they do not return profits to directors or owners;
- d) self-governing in that they have broad control over their own activities, and;
- e) voluntary such that they involve a degree of voluntary participation at the level of activity or governance.

Lambell, Ramia, Nyland and Michelotti (2008) define NGOs as organizations that do not belong to either the government or the for-profit sector, and highlight that NGOs form a sub-set of organizations within civil society that are international, regional, national or locally based.

Clearly, different studies define NGOs differently. Based on these studies and for the purpose of this research NGOs are considered as:

- A registered institutionally recognised organisation (Baguley, 2009; Lewis, 2003; NGO Monitor, 2010);
- An organisation with an underlying mission or idea that guides their project activities and provides affinity rationale for membership (Spar & La Mure, 2003; Teegen, 2003), and address issues in support of the public good (DPI, 2010);
- Institutionally separate from government (Lewis, 2003) and not seeking governmental power (Bendell, 2006);
- Not profit making (Baguley, 2009; DPI, 2010; NGO Monitor, 2010; Sustainability, 2003), with money being an input not an output (Collins, 2005) and;
- Recipient of the majority of its income from donations or grants from third parties (Osterwalder and Pigneur, 2010).

This last point is added to distinguish between NGOs and social businesses, as my hypothesis is that the latter receives the majority of its income from the sales of their offering, with a minority from donations for investments or assets, whilst it is vice-versa for NGOs. To show this distinction Collins (2005) developed a matrix called the economic engine in the social sector, in which organisations are measured according to two criteria, one the charitable donations and private grants and the other business revenue. This is shown in figure 3. This differentiation has an effect on the organisations business model. Organisations in quadrant I rely heavily on government funding. The resource engine in this quadrant depends heavily on political skills and maintaining public support. Quadrant II relies heavily upon charitable support by private individuals. The resource engine in this quadrant depends heavily on personal relationships and excellent fundraising. The hybrid quadrant III consists of those organisations that blend charitable donations with business revenue, which requires both business acumen and fundraising skills. Quadrant IV captures those organisations that rely heavily on business revenue; organisations in this quadrant resemble most closely that of a for-profit business.

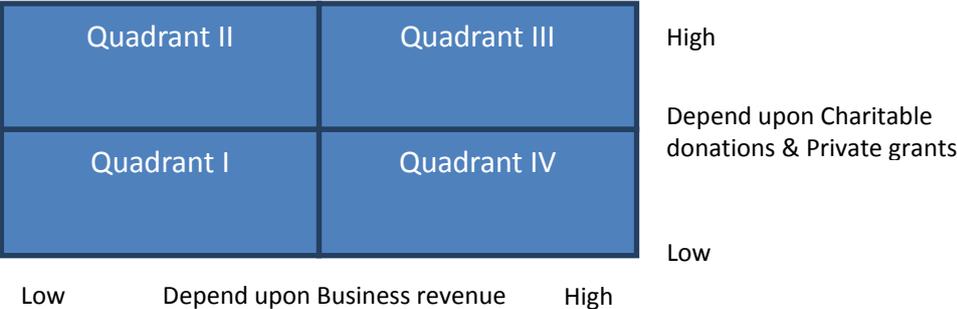


Figure 3: Collins (2005) four quadrants of the economic engine in the social sectors.

Collins (2005) also highlights that the social mission is the key driver or heart of the NGO and hence its performance is defined by the results and efficiency in delivery of its mission. Given the importance of the social mission for NGOs, this issue needs to be clearly reflected in the NGO business model.

Building upon the NGO definition, an INGO can be considered as “A NGO that has partners or branches overseas to which they provide funds, services or information”, Baguley (2009, 4).

2.6 Conceptual Model

“The application of the business model canvas is in no way limited to for-profit corporations. You can easily apply the technique to non-profit organisations, charities, public sector entities and for-profit social ventures”.... as “every organization has a business model, even if the word “business” is not used as a descriptor. To survive, every organization that creates and delivers value must generate enough revenue to cover its expenses. Hence, it has a business model. The difference is merely a matter of focus”, Osterwalder and Pigneur (2010, 264).

The literature review highlighted the fact that there are few, if any, business model canvases developed and tested on NGOs. The third-party funded business model described by Osterwalder and Pigneur (2010) is a category within the beyond-profit business model. The other variation is what they call the triple bottom line business model (section 2.3). The beyond-profit business model concerns organizations that have strong non-financial mission with ecology, social causes, and public service mandates. Osterwalder and Pigneur describe the third-party funding model as one that can be used when the product/service recipient is not the payer. They are paid for by a third party, which might be a donor or the public sector. This would be equal to quadrant I and II in Collins (2005) economic engine matrix. The third party pays the organization to fulfil its mission. The third-party funded business model is shown in figure 4 below.

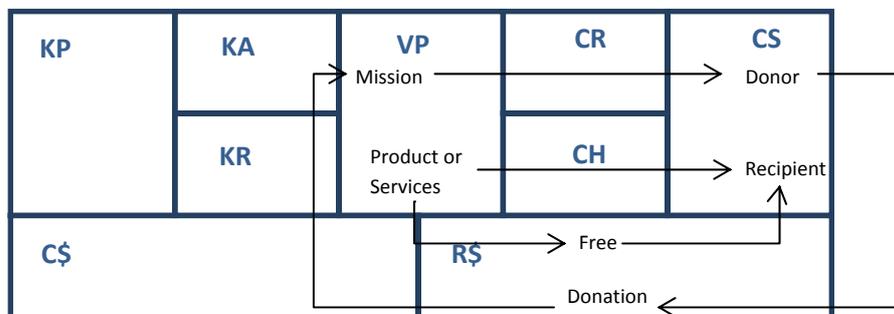


Figure 4: Osterwalder and Pigneur’s (2010) Nine building block canvas with the third-party funded model. KP: key partners, KA: key activities, KR: key resources, C\$: costs, VP: value proposition, CR: customer relations, CH: channels, R\$: resources, CS: customer.

In this section, the conceptual model for an NGO business model canvas will be developed. The conceptual model is based on the findings from the earlier sections, Osterwalder and Pigneur’s third party funded model (2010), the research question together with the researcher’s experience in this sector. This conceptual model will be tested on several case studies. Osterwalder and Pigneur’s model is used as a base for conceptualisation, as this is relatively generic and has not been tested on existing organisations. This model will be combined with the results of the earlier sections, such as, the outcome of the business model components research.

The research (section 2.4) concluded that the top 10 business model components were found in over half of the canvases, covering 70% of their respective framework. One can conclude that these studies are in general agreement regarding the meaning of a business model and which components a business model needs to contain. Therefore, in reviewing the appropriate business model canvas, focus will be on the more frequently used ones. Several components of the NGO business model framework will be different from those for for-profit business models, as NGOs in general focus on social goods rather than delivery of economic value to their target public, Dahan et al. (2010).

The focus is on Chesbrough (2010), Osterwalder and Pigneur (2010), Johnson (2010), Eyring et al. (2011), Lindtgardt et al. (2009), Demil and Lacocq (2010), Yunus et al. (2010), Petrovic et al. (2001) and Michelini and Fiorentino (2012), as they scored more than 70% (highlighted in yellow in annex 4).

Taking the NGO situation into account as described earlier, and Osterwalder and Pigneur's (2010) canvas, the business model components definitions (section 2.4) will be re-looked, to analyse whether or not these components can be used without modification in the NGO business model canvas.

Value creation: consists of two major components, activities and resources, which are shown separately in the business model canvas. Lambell, Ramia, Nyland and Michelotti (2008) refer to Teegen et al. 2004 research in which they highlight the value creating activities or NGOs and its worthy of analysis. To emphasise that this building block focuses on the main activities and resources, it will follow Osterwalder and Pigneur's (2010) definition.

Key activities: the key activities which an organisation needs to perform to create its value proposition.

Key resources: the physical, financial, intellectual or human assets required to make the business model work.

Collins (2005) identified the key resources of the NGO to be time (human assets received for free or at rates below what their talents would yield in business), money (financial) and its brand. In this conceptual model brand had been included in the value proposition, see below.

Value proposition: in addition to being defined as the bundle of products and services that create value for the customer, Osterwalder and Pigneur (2010) mention that an organisation's mission should also be shown in the value proposition component. A point supported by Shafer et al. (2005) and Michelini and Fiorentino (2012). Collins (2005) also distinguishes the fact that a NGO's mission is at the heart of its operation and is seen as a key characteristic. The value proposition for a donor of a NGO could be different from that of a recipient. Donors, mostly provide donations for a specific purpose or product/service offered by the NGO (called programmes) and not per se to the organizations' overall mission, Baguley (2009) and Miller (2003). Another deciding factor for donors to provide resources to a NGO is based on the value creation process or key activities, for example, the way that the NGO sets out to achieve its mission such as through confrontational campaigning (i.e. Greenpeace) or working closely with governments (i.e. WWF). From experience, donations decisions are often made based upon the organization's value proposition (mission, product and services), as well as, its value creation process, its channels, the recipient/end-user and its brand. An organisation's brand is also included in Osterwalder and Pigneur's (2010) detailing of a value proposition. As also highlighted by Collins (2005), the NGO's brand is of great importance to the organisation as it cultivates an emotional goodwill amongst potential supporters. The NGO's brand builds upon tangible results and emotional goodwill so, as Collins explains, potential supporters believe not only in the organisation's mission, but in the organisations capacity to deliver on that mission. As the organisation's brand is so closely linked to the NGO's mission, the conceptual model will follow Osterwader and Pigneur by including brand in the NGO's value proposition definition. The

product and services for which the NGO's funds are devoted is often called 'programme activities', Baguley (2009). Based on the above, the value proposition component in this research will be defined as:

Value proposition: the organisation's mission and its programmes being the organisation's bundle of product and services (that create value for its customers, stakeholders and partners), as well as its brand.

Customer: De Langen and Bitter-Rijkema (2012, 5) state "*for the design of the business model it is essential to clearly define its target group, the customer*". In the case of NGOs the customer can be seen as: 1) the target group, to whom the NGO is providing goods or services (for example, in the case of Hepatitis vaccinations, the person who is receiving the vaccination), the national government where the project is taking place or civil society in general. 2) The donor who provided the funding as they expect a certain result mostly defined in advance via a contract between the donor and the NGO. Sleurink (2002) divides the clients of NGOs into two categories, the first being the primary client (beneficiaries) and the second being the secondary client (donor, other stakeholders). Osterwalder and Pigneur (2010) name this first group 'recipient' and De Langen and Bitter-Rijkema (2012) propose to replace the word 'customer' with 'end user' as in some cases the reality is more complex due to direct relationship between outputs and users being diffuse. This is probably one of the reasons why Osterwalder and Pigneur split the customer component into recipient and donor, whilst keeping it in the same business model building block. Yunus et al. (2010) mention 'stakeholder' which includes both the end-user plus the shareholders in the social business. One of the risks identified by Osterwalder and Pigneur of the third-party funded business model is that the value creation incentives can become misaligned with the donor becoming the main 'customer', while the recipient becomes a mere receipt due to stronger incentive for donor value creation than for the recipients. Baguley (2009) highlights the same issue and like Yunus et al., calls them both stakeholders. Sleurink (2002) mentions that in the NGO environment the focus of these groups require the adoption of different approaches aimed at the different groups. Even though NGOs have two distinctly different customers: the donor and the recipient, at present they will be kept in the same building block, though mentioned separately within the building block. During the test phase it may become necessary to split this into two separate building blocks so that the business model canvas is well-organized and usable. The building block for the NGO sector will be adapted from Osterwalder and Pigneur (2010) as this will allow the organisation to show the different segments to identify their customer(s) and/or stakeholders.

Customer Segments: the different stakeholders (recipients, donors and others) an organisation aims to reach and serve to achieve its mission.

Channels: or distribution; concerns the way an organisation communicates with and reaches its customer segments, plus the logic behind the delivery process of the value proposition. In the case of NGOs, for example, delivery of product or service can be via partner organisations or local government. Therefore, the channel component in this research will be described as:

Channel: the communication, distribution and sales channels used by the organization to interface with its customer segments and partners.

Relationships (Customer, Partner): as with for-profit and social business, it is important for NGOs to maintain strong relationships with their partners to achieve their mission. Baguley (2009) and Yunus et al. (2010) highlight that relationships with stakeholders are important for both social business and NGOs. Osterwalder and Pigneur (2010) explain that this component should clarify the type of relationship the organisation wants with each customer segment. Hence, this building block will be re-crafted to provide the opportunity to describe the desired relationship with customer segments, partners and other stakeholders.

Relationships: clarifies the type of relationship the organisation has established or wants to establish with each customer segment, partner or others.

Economic features or Economic equation: shows the revenue, costs and profit components of the business model. In order to sustain their operations NGOs are concerned with balancing their economic needs with their various sources of financing (Dahan et al., 2010). Therefore, the NGO business model canvas should show both the revenue component and the cost structure. Houtgraaf and Bekkers (2010) suggest that the revenue component can have another meaning for NGOs and should be taken in a broad manner. They provide the example of Unicef for whom the revenue component could mean the number of children they supported. This is an interesting point. Therefore, how NGOs define their revenue stream will be explored in the case studies. For the development of the conceptual model the following definitions will be applied:

Revenue: the income streams, this could be donations, merchandises/sales, investments or other income streams available for the organisation's work.

Costs: the total costs which the organisation incurred (or will incur) to implement the agreed activities.

Partners: are part of the value network of an organisation. NGOs rely on scarce donations to fund their projects and hence take care to ensure efficient utilization of those resources (Teegen, 2003). They stretch their funds by involving other partners (and their resources). In the for-profit business model the principle purpose of partners are as suppliers. This is clearly not the case for NGOs. A broad definition adapted from Michelini and Fiorentino (2012) will be used to capture this feature.

Key partner(s): the network of cooperative agreements with other people or organizations (including governments) necessary to efficiently offer and distribute the value.

The above mentioned business model components are based on Osterwalder and Pigneur's (2010) nine building block canvas with adjusted definitions to create a canvas that captures the business model of NGOs. When comparing this with the top 10 business model components as identified in annex 4, it can be noted that it covers most of the components except two. First it does not cover the 'profit' business model component. As discussed above in the economic features section, this is a less critical component for a NGO. Second, it does not cover the capabilities/competencies component. Demil and Lacocq (2010, 231) define competencies as *"the abilities and knowledge managers develop, individually and collectively, to improve, recombine or change the services their resources can offer"*. While Michelini and Fiorentino (2012, 566) outline competencies as *"the specific range of skills, knowledge, or ability of a company"*. This has a similar meaning to the 'learning' business model component of Itami and Nishino's (2010) model. The examples provided by Michelini and Fiorentino (2012) indicate the core competencies within the value chain at which the organisation excels, for example, marketing, customer service or research & development. The competencies of the organisation will already be shown in their overall business model as, in general, a NGO focuses on its strong points in its mission, key activities, key partners and fundraising section. This suggests the case for inclusion of this component is weak and, it is proposed to exclude it from the conceptual model.

The final stage for finalizing the conceptual model was to re-examine the business model components highlighted in annex 4 to ensure no elements were missing for a NGO business model canvas. This was done in three steps.

The first step, based on the components definitions, was to check that the business model components separately highlighted have now been included in the canvas. These were:

Business Model components	Location within building block
Customer information/communication	Channels
Branding	Value Proposition
Mission/Goal of the organisation	Value Proposition
Stakeholders	Customer segment

Table 1: Overview location of literature business model components within business model building blocks

The second step looked at whether the four key areas (purposes, resource acquisition, stakeholders and governance, and culture) where companies and NGOs differ (Baguley, 2009) are covered in the proposed business model canvas. ‘Purposes’ is represented in the model as the organisation’s mission. ‘Resource acquisition’ is covered by several business model components - the value proposition, value creation (key activities), the donor element of the customer segment, channel, relationships and revenue streams. ‘Stakeholders and governance’ is partially covered by stakeholders, however ‘governance’ is currently not mentioned in the conceptual model. Michelini and Fiorentino (2012) define governance as the set of processes or laws which manage the relationship between stakeholders and the goals. In the proposed conceptual business model the goal of the organisation is represented in the mission. The set of processes or laws to manage the relationship with stakeholders can be included under the relationship component. Therefore, governance according to Michelini and Fiorentino’s definition is represented in two building blocks of the conceptual model. In terms of ‘culture’, doubts arise as to whether it needs to be explicitly mentioned in a business model, and whether the business model canvas is really the right tool to show an organisation’s culture. As culture has not been mentioned as a component by any of the 14 studies, it can be concluded that it does not appear to be a key for insight into an organisation’s business model. Therefore this component will not be taken into account in the conceptual model.

The last step looked at the business model component studies to check that components considered essential for the business model canvas had been covered. Those components mentioned twice or more by the focus-group studies were reviewed. This delivered two additional components, competitors and financial aspects. Both Chesbrough (2010) and Demil et al. (2010) propose the inclusion of competitors as a component. The definition of a business model used in this research ‘the rationale of how an organization creates, delivers, and captures value’, imply that the business model canvas does not need to include the organisation’s competitors. As Osterwalder and Pigneur (2010) state, an overview of an organisation’s competitors would normally be provided in their business plan. The financial aspects component is not required as NGOs are, in general, a non-profit with their principle focus on social rather than economic value. In addition, the conceptual model contains a cost and revenue building block.

Based on the above and Shafter et al.’s (2005) criteria that the business model has to be easily understood, communicated and remembered, the conceptual model is shown in figure 5.

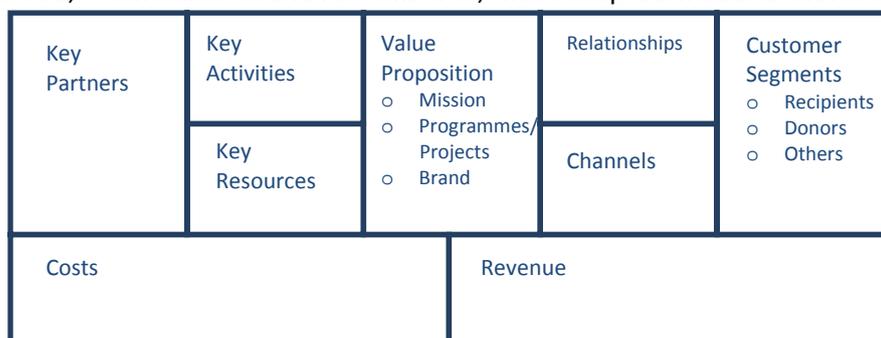


Figure 5: Conceptual business model canvas for NGOs

To explore its appropriateness, the above conceptual business model canvas will be tested on several NGOs. In Osterwalder et al. (2005) business models are classified as those: a) to be used at an abstract level to model the different elements and their relationships, b) to analyse existing business models, and c) to use in a prescriptive manner, to model the world ‘as it should be’ (figure 6).

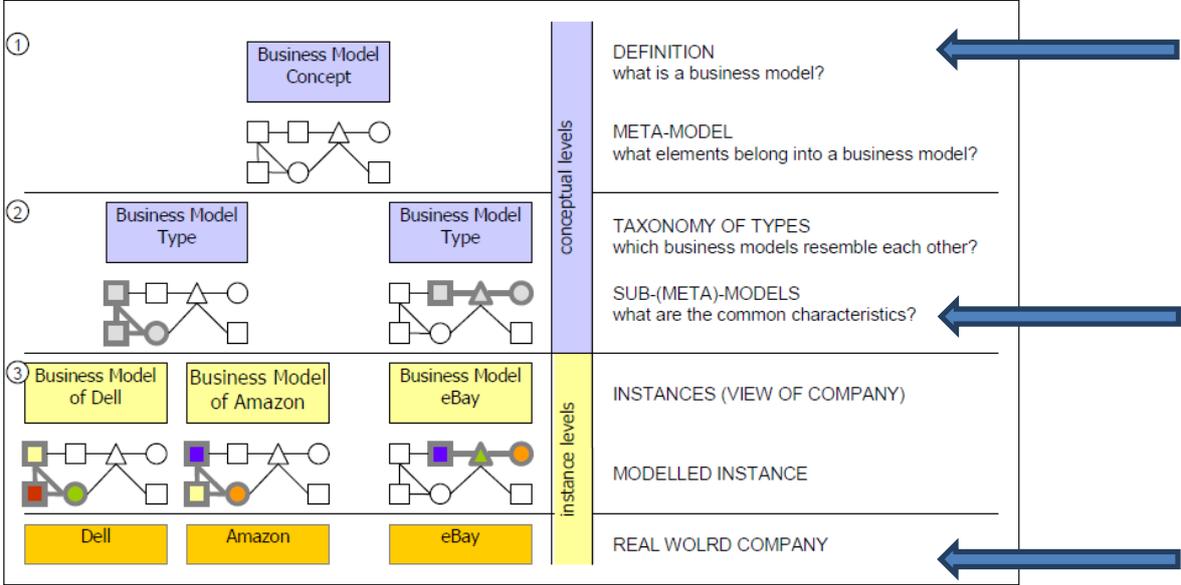


Figure 6: Osterwalder et al. (2005) Business model concept hierarchy

Following testing of the business model canvas, we can conclude whether the conceptual business model canvas can provide a representation of NGOs business models, as each organization’s own specific business model is linked to a more generic or sectorial business model (Demil and Lacocq, 2010).

Demil and Lacocq (2010) state that an organization’s business model is continuously evolving and is permanently in a state of transitory disequilibrium. Hence, is a description or ‘snapshot’ at a specific moment in time (Osterwalder et al. 2005). In addition, Aspara et al. (2011), Osterwalder and Pigneur (2010) and Rappa (2010) highlight that an organization that runs multiple businesses or multi-business units will have multiple business models. Therefore, the research case studies compared similar NGOs or similar operating entities.

3 Methodology

In the previous chapter a conceptual business model canvas for NGOs was developed, based on a literature review of business models, its' framework and components. This chapter will outline the methodology of this research.

3.1 Sources of information

According to Verschuren and Dooreward (1998), Eisenhardt and Graebner (2007) and Yin (2009), solid research requires multiple sources of information. These are presented in table 2.

Sources of information	
Literature	Academic peer-reviewed articles Books
Documents (Grey literature)	Annual reports of NGOs
Media	NGO web sites (Web or Newspaper) articles Web blogs
Individuals	Organisations' employees Experts within the NGO sector but not working in one of the case study organisations.

Table 2: Overview with the different sources of information used for the research

3.2 Research strategy

This research is of an exploratory nature given the lack of earlier concrete studies on NGO business models of NGOs. The goal of an exploratory research is to generate or discover new ideas and theories according to Lynn University (2014).

Two main research strategies were used, the first stage was, a literature review. This has three main characteristics according to Verschuren and Doorewaard (1998): i) it makes use of existing material, ii) there is no contact with the research object, and iii) it makes use of the material from another perspective than for which it was produced. This was mainly used in the previous chapter for definitional comparisons and exploration of usages of business models, business model frameworks and business model components. A conceptual model of the NGO business model canvas was developed based upon this review.

The second research strategy was the use of the case study research methodology to test the conceptual model. In identifying a suitable research method for this study, Yin's (2009) three conditions identification framework was used (table 3). These conditions look at, the form of research question, whether the research requires control of the behavioural elements, and lastly, whether the research focuses on contemporary elements. All methods applicable to the conditions on this research are highlighted in yellow. The second condition is whether the research needs to manipulate behavioural elements directly, precisely or systematically; this is not required for the research. Utilising this framework, the case study research method is the only one that meets all the conditions.

Method	Form of research question	Requires control of behavioural elements?	Focuses on contemporary elements?
Experiment	How, why?	Yes	Yes
Survey	Who, what, where, how many, how much?	No	Yes
Archival analysis	Who, what, where, how many, how much?	No	Yes/No

History	How, why?	No	No
Case study	How, why?	No	Yes

Table 3: Yin's (2009) three conditions for different research methods

Verschuren and Doorewaard (1998) state, case study research methodology can be utilised for research with the following characteristics:

Symptoms	In this research?
1) A small amount of research objects.	Yes
2) A labour intensive approach.	Yes
3) More depth than width.	Yes
4) A selective/strategic sample.	Yes
5) Qualitative data and research method.	Yes
6) An open observation on location.	Yes

Table 4: Overview of Verschuren and Dooreward (1998) case study characteristics appearing in this research

Yin (2009) defines case studies in two parts, firstly through the scope of a case study, and secondly, through the technical characteristics of the enquiry.

Scope of case study	In this research?
Investigates a contemporary phenomenon in depth and within its real-life context.	Yes
The boundaries between phenomenon and context are not clearly evident.	Yes
Technical characteristics	In this research?
Copes with the technically distinctive situation in which there will be many more variables of interest than data points.	Yes
Relies on multiple sources of evidence, with data needing to converge in a triangulating fashion.	Yes
Benefits from the prior development of theoretical propositions to guide data collection and analysis.	Yes

Table 5: Overview Yin's (2009) case study characteristics appearing in this research

Yin (2009) remarks that for a case study research, the goal of the researcher is to expand and generalize theories (analytic generalization). This is the case for this research as it aims to expand the theory and knowledge of a hybrid business model. Eisenhardt and Graebner (2007) claim that case study research makes sense when it can be demonstrated that the existing literature does not address the research question, or does it inadequately. Therefore, the qualitative case study research method is deemed the most suitable research method for this study. By combining both research strategies, literature review and case study, results in a combination of empirical and non-empirical research methods, using the qualitative approach in both instances. The case study has a number of advantages for this second stage of the research process, as noted by Verschuren and Doorewaard (1998). First, it provides a holistic review of the organisations. Secondly, the results obtained from the case study will be accepted earlier by the 'field' as the conceptual model has been 'field' tested. The latter point is important as one of the objectives of this research is that it can be used by practitioners and academics.

3.3 Unit of analysis

The second decision point, following the choice of research method, is the unit of analysis. As the conceptual business model is developed at the global organisation level the unit of analysis is the organisation, the NGO. Organisations have multiple business models, Aspara et al. (2011), Osterwalder and Pigneur (2010) and Rappa (2010). To enable comparison of the case study results for validation of the conceptual NGO business model, the case study review will only focus on the current business models at the International Secretariat or Head Office level of NGOs. Lambell, Ramia, Nyland and Michelotti (2008) highlight that the largest and most important NGOs for analysis are in the fields of international development and poverty relief (such as Care), the natural

environment (such as WWF), and medical emergencies (such as Médecins Sans Frontières). The case studies will be NGOs from these fields with a mixer of smaller and larger ones.

3.4 Quality of the case study design

Yin (2009, 40) states that for research to be considered well designed, four criteria have to be met, of these three are relevant for this case study research:

1) *“Construct validity: identifying correct operational measures for the concepts being studied”*.

Yin suggests use of several tactics can be applied; a) multiple sources of evidence, b) chain of evidence and, c) review of the draft case study report by key informants.

This study has utilises multiple sources of evidence (table 2 in section 3.1). Data from the multiple sources of information were collected to corroborate and triangulate the same fact or phenomenon to ensure the validity of the study. The draft report has been reviewed by a professor specialized in business models, with the individual draft case study reports were reviewed by the interviewees.

2) *“Internal validity: seeking to establish a causal relationship, whereby certain conditions are believed to lead to other conditions, as distinguished from spurious relationships”*.

This is only relevant for explanatory or causal case studies. This research aims to fill a knowledge gap in the field of NGO business models, and as such is an exploratory study (Yin 2009).

3) *“External validity: defining the domain to which a study’s findings can be generalized”*.

Case studies rely on analytical generalization, in this study the researcher is striving to generalize a particular set of results to the broader business model theory. To increase the external validity of this research the multi-case study approach was chosen based on replication logic.

4) *“Reliability: demonstrating that the operations of a study – such as the data collection procedures – can be repeated with the same results”*.

This chapter provides an overview of the methodology used for this research. Yin (2009) highlights two specific means to address the weakness concerning reliability of case studies: a) the use of a case study protocol, and b) the development of a case study database. Both systems have been used for this research. The former was developed using the method recommended by Emans (2002). This consisted of the interview summary and the organisation’s business model (based on the interview) being sent to the interviewees for verification and comments. A case study database was developed for data collection and documentation. According to Yin (2009), the documentation in the case study database should consist of two separate collections -the data base and the case study reports. Materials include: annual reports, working document with ideas and findings, interview notes, summary of the interviews (both draft and approved form) and the case study report from the first to the final version.

3.5 Case study method

The conceptual business model will be tested on five NGOs. As Yin (2009) states, for such multiple-case study research, each case must be carefully selected to be able to predict similar results; this is the literal replication method. A few cases (2-3) are deemed to be sufficient when the theory is straightforward. It is important to state the conditions under which a particular phenomenon is likely to be found. This has been taken into account with the case study selection criteria.

As defined by Yin (2009), see figure 7, the initial step in designing a case study research consists of theory development (literature review, chapter 2), this is followed by case selection and development of data collection processes. The case selection is described in this chapter. Each individual case study consists of a “whole” study in which convergent evidence is sought regarding

the facts and conclusions for the case; each case's conclusions are then considered to be the information requiring replication by other individual cases. Both the individual case studies and the multiple-case study analysis results are the focus of chapter 4.

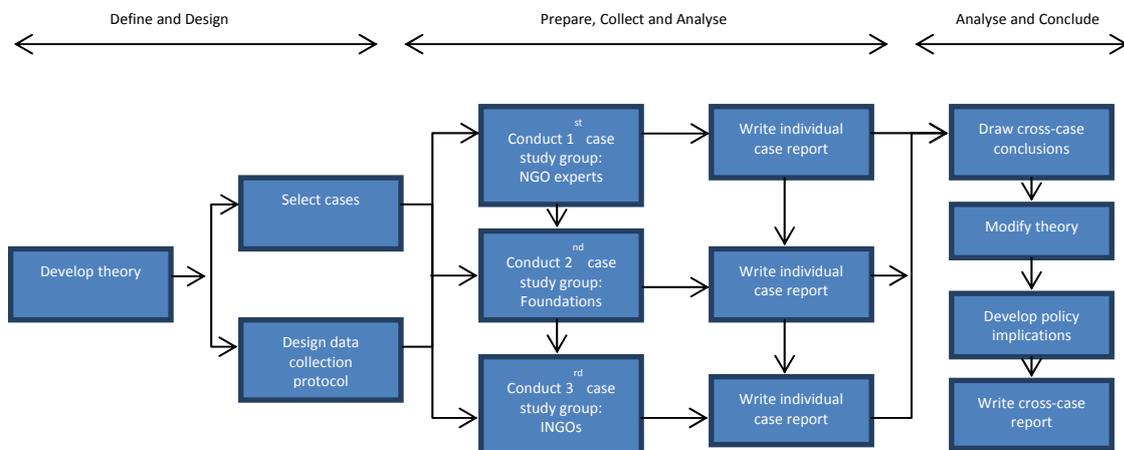


Figure 7: case study method

3.6 Case study selection criteria

When the purpose of the study is to develop theory, theoretical (not random or stratified) sampling is appropriate (Eisenhardt and Graebner, 2007). Eisenhardt (1989) mentions that the goal of theoretical sampling is to choose cases which are likely to replicate or extend the emergent theory. A point supported by Yin (2009). The important theoretical sampling approach of 'polar types' is considered less suitable for this study due to the research objective and its questions. However, the chosen case study NGOs are from different fields (e.g. nature, education, health, poverty reduction), so that the research can test whether the NGO business model canvas is applicable to NGOs in different fields.

Three criteria were used to determine whether the NGOs fitted the research project. In brief the NGO case studies needed to be:

- 1) International NGO (INGO), as defined in section 2.5 - "A NGO that has partners or branches overseas to which they provide funds, services or information, is considered an international NGO" Baguley (2009, 4).
- 2) The office should be an International Secretariat or Head Office within the NGO (section 3.3).
- 3) The NGO should fit in quadrant I or II of Collins (2005) economic engine matrix (section 2.5).

In addition to the above criteria, the researcher took the following additional considerations into account:

- NGO is known to the researcher.
- Office or interviewee located close to the researcher to allow for a visit.

3.7 Data collection

The data collection plan changed after the literature review. Initially it was planned that five International NGOs would be interviewed as case studies. During the determination of the research stage of the case study it was decided to expand the interviews to include two additional case study groups. This led to interviews being held in three stages. Figure 1 (section 1.5) and 7 (section 3.5) show the adjusted research design including the three case study groups. As can be seen in both figures, it was only when one whole case study group was completed (including receiving feedback from the interviewees regarding the notes of the interview) that the researcher started the interviews with the other case study group. This was so that the researcher could incorporate the

outcome of the previous case study group into the interview preparations for the next case study group. This meant that the conceptual model and the related definitions could be updated based on the results of the previous case study interviews.

The reasons that the interview phase was expanded were:

- a) Subject of NGO business model canvas is relatively unknown within the NGO community;
- b) Provide more possibilities for testing the business model canvas and its definitions;
- c) Test whether the interview questions were clear;
- d) Help the researcher in the evolution of the conceptual business model canvas and its definitions, and;
- e) Increase the researcher's understanding regarding the use and practicalities of the business model canvas for NGOs. The main objective of this research.

The case study interview stage took place in three phases. First, the conceptual business model canvas and its definitions, based on the literature review, were tested on the NGO experts (annex 5). They provided insights on a variety of different NGOs and commented on the usability and practicality of the NGO business model canvas. Responses led to changes in the key components with related definitions of the conceptual model. It became clear that the conceptual business model canvas would be suitable mostly for Foundations, but needed further modified to suit INGOs. This led to the development of two different conceptual models, one for Foundations (annex 6) and the other for INGOs (annex 7). Both these models were tested on their respective target groups with inputs from the Foundations interviews being incorporated into the INGO interviews. The results for Foundations are presented in section 4.2, and those for INGOs in section 4.3. Table 6 provides a summary of the invitations sent and the number of interviews conducted.

	Case study stage	Number invited or expressed interest to be interviewed	Interviews conducted	Case studies
1	NGO experts	5	4	4
2	Foundations	3	2	2
3	INGOs	9	7	5

Table 6: Interview requests versus interviews conducted per case study stage.

As stated previously (table 2, section 3.1) several means of data collection were used to ensure data triangulation. Regarding the data collection of the Foundation and INGO case studies, first, background research was conducted to review whether the potential case studies met the case study selection criteria. This was done by reviewing their website, annual reports and asking people who were knowledgeable about the organisations. Once interviews were confirmed with the case study organisations, documentary research was conducted into the background and business model of these organisations, to develop an initial conceptual business model canvas of the NGO. This was conducted as part of the interview preparation, so that the researcher would have a better understanding of the business model of the organisation. And secondly, so that the researcher could compare the business model canvas of the organisation based on the interview with the preparation business model canvas.

3.8 Interview

In an effort to reduce information bias the researcher has followed Eisenhardt and Graebner (2007) by using highly knowledgeable informants who view the focal phenomena (NGO) from diverse perspectives. These were with staff members at manager, director or senior management level within the organisations. They possess the most comprehensive knowledge of the characteristics of the organizations, its strategy, its performance and are familiar with all the aspects of the organisations operations. (Weerawardena, McDonald & Sullivan Mort, 2009)

Data collection process was an iterative and exploratory process that took place between the literature review (chapter 2) and the outcome of the interviews with both the NGO experts and the case studies. This ensured that the model and its definitions kept being further refined.

As mentioned previously (section 3.4) an interview protocol was designed based on Emans (2002) to ensure that all the required and relevant data was collected during the interview process and to increase the reliability of the research. The interview protocol is presented in annex 5 (NGO experts), 6 (Foundations) and 7 (INGOs).

The interviews with the NGO experts used several questions (3, 4, 9 and 10) that Osterwalder used in his dissertation interviews (2004). Question 9 was slightly adjusted to include communications to donor so as to take the NGO perspective into account; Seelos (2003) (section 2.2) (annex 5).

Yin (2009) notes, based on Becker (1998) that the interviewer needs to ask the conversational questions in an unbiased manner that serves the needs of the inquiry. This was addressed using ‘how’ questions instead of ‘why’, in the belief that a ‘why’ question creates defensiveness on the part of the interviewee. Therefore, none of the questions in the interview start with ‘why’.

To be able to answer the sub-research questions during the interviews with the different case study groups, the interview questions were designed to obtain the following information:

Aim of the interviews were to test:		Related questions – NGO expert interview (annex 5)
i	The current use of the business model canvas tool by NGOs;	Question: 1
ii	The draft NGO business model canvas conceptual model;	Questions: 3 - 10
iii	The building blocks of the conceptual model and its definitions;	Questions: 2 – 10
iv	The usability and functions of the business model canvas for NGOs;	Question: 8-9

Table 7: Aim of the interview and the NGO expert interview questions (annex 5)

As mentioned earlier, the interview questions enabled the construction of the business model canvas of the organisation and at the same time allowed the related definitions to be checked. Figure 8 and 9 show the conceptual business model canvas for Foundations and NGOs respectively. Specific interview questions for each can be found in annex 6 and 7.

Vision: Question 2

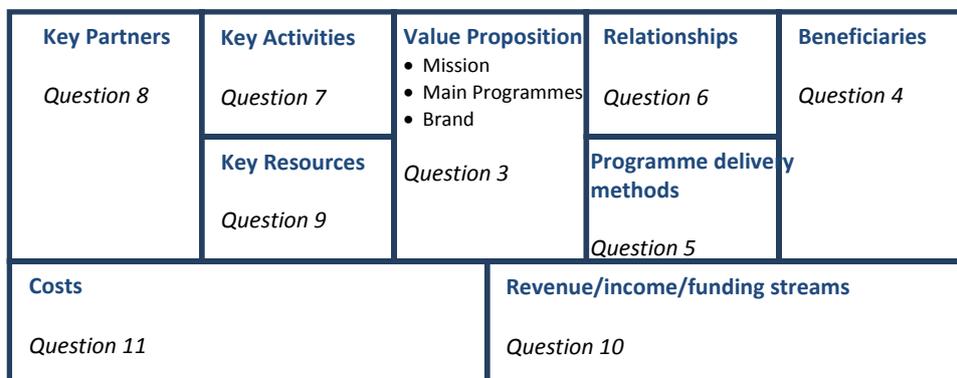


Figure 8: Foundations conceptual model in relation to the Foundations interview questions annex 6

Vision: Question 2

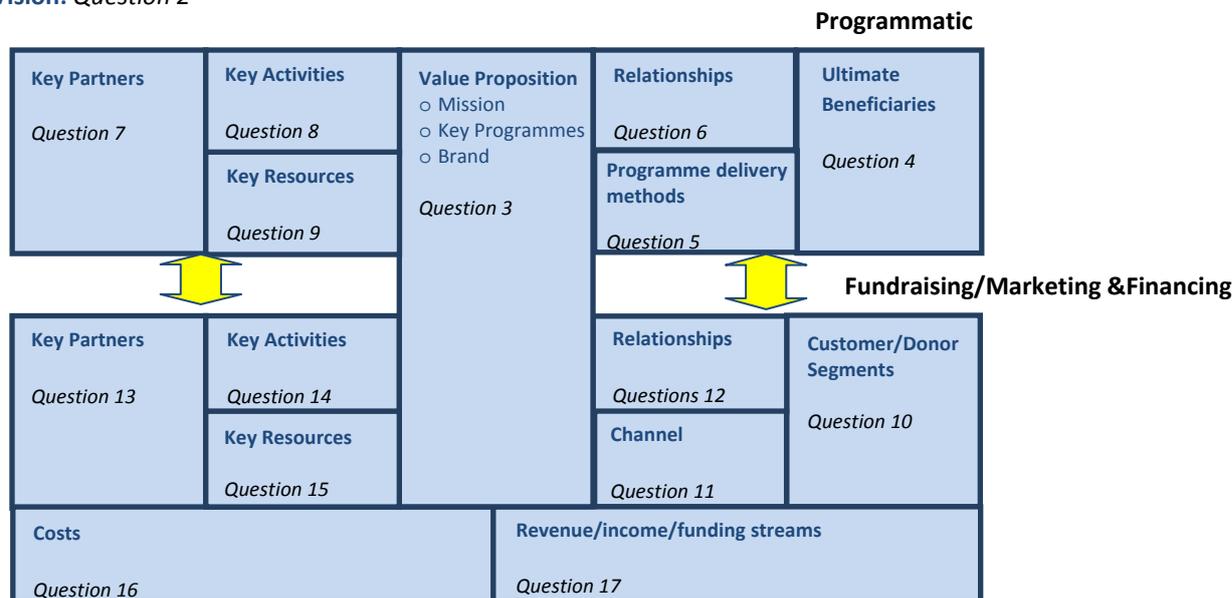


Figure 9: INGOs Conceptual business model canvas in relations to the INGO interview questions annex 7

All the interviewees received, prior to the interview, an email with the purpose of the research, the interview questions, key definitions and an example business model canvas (annex 5, 6 and 7). The reasons for this were:

- As senior members of their organisations or senior consultants with limited time, they were only willing to conduct the interviews when fully prepared;
- Due to the novelty of the business model canvas concept within the NGO sector many were unfamiliar with the concept and the terminology, and hence, wanted to reflect and prepare prior to the interview;
- Some of the interviewees needed prior approval from their supervisors regarding the confidentiality of the interviews and its content.

Osterwalder and Pigneur (2010) suggested that in discussing the organisation’s business model canvas it is best to print out the business model canvas in large format to facilitate discussion of the business model elements so that results can be sketched straight onto the canvas. They believe this increases the productivity of the discussion and allows for visualisation of the organisation’s business model. They also mention that visual depiction is the best way to create a shared understanding. This method was also applied for these interviews. No tape recording of the interview was undertaken as most of the interview was focussed on the business model canvas sheet as the created business model canvas would clearly summarise the interview. After the interview the interviewees would receive the created business model canvas and the summary of the interview for their review and approval.

Each interview took 1 - 2 hours. For most of the interviews direct observation of the subject was undertaken as the interviews were held in person in the office of the interviewee. This enabled the interviewer to note the natural setting of the “case”. Only a couple of interviews were conducted via phone or skype (one NGO expert and one INGO).

3.9 Data analysis

The hierarchical method of the comparable case study was used, in which several case studies were conducted in the same period. The hierarchical variance of the comparable case study was used as it concerns a series of individual case studies. These case studies were initially reviewed individually, and when all the case studies of that particular group (e.g. NGO experts) had been conducted than a comparative analysis was conducted of the results. This enabled the results to be taken into account when the next case study groups were interviewed. This process was highlighted earlier in figure 7 and in section 3.7.

According to Yin (2009), a separate table that summarizes the evidence for each theoretical construct is a particularly effective way to present the case evidence. These 'construct tables' summarize the case evidence and indicate how the focal construct is 'measured', thus increasing the 'testability' of the theory and creating a particularly strong bridge from the qualitative evidence to theory-testing research. This has been done in the analysis phase. Two tables were constructed; the first table had the interview questions with the expected replies from the case studies and its relation to the theory (literature review) and this research. The second table summarised the replies of each interview question from each case study. The reason for this second table was based on Eisenhardt's (1989) statement that this is a highly iterative process, in which the emergent frame is systematically compared with the evidence from each case study in order to assess how well or poorly it fits with the expected case data. By comparing and cross-analysing both tables allowed the researcher to ask the questions 'what is this similar to', 'what does it contradict', and 'why', to allow comparison between the emergent concepts or theory with the extant literature. According to Eisenhardt (1989) this is an essential feature of theory building. Hence these tables were used for cross analysis between the results of the literature review and the interviews.

Seelos (2010, 18) highlighted the challenge of model building "*Model building is iterative and constrained by the specified theoretical and empirical perspectives. The challenge for the modeller is to come up with a set of plausible hypotheses or propositions that constitute explanatory links between the substructures of the model and the strategic objectives of the modelled organization.*" While analysing the results after the interviews the trend of the interview question replies became clear and hence the proposed business model canvas for NGOs. The results of the case studies in relation to the literature review and the conceptual model are presented in the next chapter.

4 Results

This chapter presents the results of the interviews with the NGO experts (section 4.1), leaders of Foundations (section 4.2) and leaders of INGOs (section 4.3). Section 4.4 presents the NGO business model canvas with its related definitions.

The Foundations and INGOs studied are presented, but due to confidentiality neither organisation specific responses nor canvas are presented. One INGO's business model canvas is presented (section 4.4.2) to visualize the INGO business model canvas according to the outcome of the interview.

4.1 NGO experts

Prior to testing the conceptual business model canvas on NGOs, the conceptual model with its key elements and related definitions were tested on NGO experts. Four NGO experts were interviewed between February - March 2013. The NGO experts had different backgrounds, but were all specialised in working with NGOs. One expert was an organizational development consultant (focussing on the total and operational aspects of the business model canvas), two were environment and development consultants (focussing on the programmatic side of the business model canvas) and finally the fourth was a special projects advisor at a large INGO who was working on an organisational change project.

4.1.1 Outcome of the interviews with NGO experts

The interviews (annex 5) tested the conceptual model with its related key definitions. The main recurring responses are highlighted in this section.

Language and Definitions

All the interviewees felt the definitions were too focussed on the business world and were not attuned to the NGO language. They felt that this would cause resistance to the usage of the business model canvas by NGOs, and would also create confusion. Based on these interviews the definitions of the key components of the business model canvas were adjusted to match the language used within NGOs. These adjusted definitions were based on comments from the interviewees, but also from reviewing the terminology used in the annual reports from NGOs such as Greenpeace (2011), Care USA (2011) and WWF International (2012). Interviewees commented that the NGO world does not have a fixed set of definitions, a point affirmed by a recently announced one day workshop on the subject by a NGO training institute (eTRAC October 2013 newsletter). They suggested the importance of providing the definitions of the business model canvas prior to the interviews.

Vision

During the literature review the inclusion of a vision statement in the NGO business model canvas was questioned, however, all the interviewees confirmed the need to include a 'vision' statement in the NGO business model canvas as it provides at one glance the overall purpose of the organisation. As NGOs do not have a consistent language (see above), therefore there were different opinions as to whether it should be called 'vision' (more common in International NGOs), 'mandate' (more common in the Red Cross and UN organisations), 'purpose' or another terminology. As the current business model canvas focuses more on the international NGOs 'vision' was chosen as the appropriate term. It should be noted that based on experience and from reading the literature, both

terms 'vision' and 'mission' are used interchangeable. Therefore, in addition, to providing the definition of 'vision', a definition for 'mission' is also provided in the definitions overview.

Impact

One of the experts interviewed highlighted the importance of 'impact' for NGOs. In this context impact refers to the higher-level situation that the project will contribute towards achieving. This would have the same meaning as the social and environmental benefits building block of Osterwalder and Pigneur's triple bottom line business model (2010) and referred to by Houtgraaf and Bekkers (2010) (section 2.6). This was confirmed by the other experts, who strongly advised the inclusion of this key component in the business model canvas. Therefore, at this stage, an interview question will be posed as to whether to include this component and where it should be placed within the business model canvas. Depending on the outcome of the interviews impact could be included in the business model framework. The definition used for impact was provided by one of the interviewees as, who quoted it from her experience working with the British Development Agency (DFID):

Impact: the higher-level situation that the project will contribute towards achieving.

Governance

One of the interviewees felt that governance as a business model component was missing, as s/he felt this is one of the distinguishing points between different NGOs. This was also highlighted by both Baguley (2009) and Micheline and Fiorentino (2012)(section 2.6).

Business model canvas

There were different views as to whether the business model canvas should comprise of a single canvas of nine-building blocks or a two part canvas of interconnected sections, one comprising the programmatic and the other fundraising/marketing & finance components of the NGO's business model. One interviewee was of the opinion that the business model canvas should be kept as one single canvas, as this would show the complexity of the NGO world and the actors with which it needs to work. The other interviewees thought that it would be better to have the double section canvas. The main reasons mentioned for the division were:

- Certain key components make sense for the fundraising section of the NGO's business model canvas, but do not make sense for the programmatic section, for example, (customer) segments and channels.
- The NGO business is less transparent and more complex than the for-profit or social business, as they do not operate in a linear way and have to deal with more stakeholders with some having more than one role in their dealing with NGOs. The latter, is mainly the case for governments which act as donors to, programme partners with and recipients of NGO funds and/or services.
- The model was becoming less clear when picturing the overall INGO business model canvas at the headquarters or secretariat level.
- It allows greater visibility on how the programmatic or fundraising decisions affect each other.

Based on the interviews it became clear that with the single nine-building blocks template, the above multi-focal working relationships with several different players made it quite difficult to keep the canvas understandable, a possible issue indirectly highlighted by Sleurink (2002) (section 2.9).

Value Proposition

The value proposition and the mission are the heart of the organisation, because it:

- Shows what the organisation wants to achieve;

- Provides the reason why people want to work for the organisation; and
- Shows what the people give their funding to.

As the value proposition is at the heart of the organisation both in the programmatic and the fundraising/marketing & finance side of organisation and it does not matter from which point of view one views the organisation, therefore the value proposition should show in both sections of the business model canvas concepts.

It was also highlighted that as the value proposition including the organisations' brand is of high importance to NGOs, the definition should be made clearer (i.e. shortened) and the brand given a more prominent place both in the definition and in the business model canvas.

Usefulness

All the experts believed that the business model canvas would be very useful for NGOs. The main functions identified during the interviews were:

- Communication with donors, staff and the general public;
- Support in understanding the NGO, its functioning and its mandate;
- Support to the Senior Management Team (SMT) of the NGO in reviewing their business model;
- Support to the SMT in thinking of alternative business models;
- Support in change management, and;
- Comparison of different NGOs.

These are in line with the usages of the business model canvas identified by previous studies (literature review section 2.2). Comparison of different business models was one of the benefits of the canvas mentioned by the NGO experts that was not mentioned in the literature review. This could be due to the fact that in most of the literature the business model canvas is used for analysing specific companies or organizations, and only to a lesser extent used as a comparison tool between different businesses.

4.1.2 Changes to the conceptual business model canvas and definitions

Based on the interview outcomes and some further analysis, the following changes were made to the conceptual model for:

Foundations and INGOs

- ❖ Adapt the language of the business model components and the definitions, by using more NGO and less business management language.
 - The conceptual model definitions derived from the literature review have been adjusted based on the interviews. The customer segment building block definition has been adjusted based on both the interviews and Sleurink's research brief (2002) in which he proposes to divide the clients of the NGOs into primary and secondary clients. The former being the direct beneficiaries that the NGO aims to reach and the latter being the funding agencies, governments, target audience, etc. In the adjusted conceptual model for INGOs the terminology primary and secondary is replaced by beneficiaries and donors. For Foundations the terminology 'beneficiaries' has been used.
 - The definition of the value proposition was shortened and adjusted to make the meaning clearer.
 - In the value proposition component the word 'projects' is taken out. This was done based on a review of annual reports of different INGOs (CARE USA 2011, Greenpeace 2011, WWF International 2012) in which it was clear that NGOs refer at a higher level to programmes (several individual projects together make a programme).
 - The component 'channels' is replaced with 'programme delivery methods'.

- ❖ Brand is more prominently included in the value proposition, by including the organisation's logo in the value proposition component of the business model canvas.
- ❖ Definitions for both vision and mission are included.
- ❖ A question on impact is included in the interview questionnaire.

INGOs

In addition to the above mentioned changes:

- ❖ Divide the programmatic and fundraising/marketing & financing component into two sections.
- ❖ The value proposition connects both parts, and remains the heart of the model.
- ❖ Both the 'programme delivery methods' and the 'channels' business model components are included in the conceptual INGO model.

4.2 Foundations

Foundations are a type of NGO. The key difference between a Foundation and an INGO is that whilst the former functions principally as a grant maker the latter does not (Baguley, 2009). Foundations are, in general, endowed organizations that primarily engage in grant-making for specific purposes. Based on their endowment they provide funding (grants) to the, mainly, non-profit sector (Anheier, 2010). These grant providing organisations do not have to consider the fundraising aspect, and are principally a donor to NGOs, who then implement the programmes from the grants. Mostly Foundations do not implement programmes directly themselves. Hence, their business model would look different compared to the business model of INGOs. And hence, the distinction has been made between the two NGO organisational forms in this research. When looking at Collins's (2005) quadrants, it can be seen that both organisational forms are in quadrant II, even though their fundraising activities would be completely different. There are different types of Foundations, in this research, the focus is on two internationally orientated Foundations.

During the interview with the experts it became clear that the initial conceptual model with slight adjustments could be applicable and relevant for Foundations. It was decided to test the business model canvas on three Foundations. In the end two Foundations were interviewed between May-June 2013 (one Foundation did not respond to the invitation) (table 6).

4.2.1 Background on the Foundations

MAVA

The MAVA Foundation was established in 1994 by Dr Luc Hoffmann as a Swiss-based philanthropic foundation with a primary focus on the conservation of biodiversity. The Foundation's strategy is built around three priorities: 1) conserving biodiversity, 2) ensuring sustainable use of natural resources, and 3) building a strong conservation community. In 2011 the Foundation disbursed approximately CHF 59 million in grants to 76 projects and worked with 62 implementing partners, which were INGOs (45%), local NGOs (17%), Research institutes or universities (15%) and others (23%) (MAVA spotlight 2011).

OAK

The OAK Foundation was formally established in 1983. The Foundation comprises of a group of philanthropic organisations based in various countries around the world (Belize, Bulgaria, Denmark, Ethiopia, India, United Kingdom, United States, and Zimbabwe) with the headquarters located in Switzerland. The Foundation focuses on: child abuse, environment, housing and homelessness, international human rights, issues affecting women and learning difficulties. In 2012 the OAK Foundation provided approximately USD 153 million in grants. Since its establishment the Foundation has made over 2,700 grants to organisations around the world (OAK Foundation Annual Report 2012).

4.2.2 Adjusted conceptual model and definitions for Foundations

The original conceptual model and its definitions were used as the base. Some slight adjustments were made based on the feedback from NGO experts (section 4.1). The interview questions are shown in annex 6. The updated conceptual business model canvas for Foundations and the related definitions that were tested on the two case studies are shown in table 8 and figure 10.

Key definitions	
Business model	A business model describes the rationale of how an organization creates, delivers, and captures value.
Vision	Outlines what the organization wants to be. It can be emotive and is a source of inspiration. For example, a charity working with the poor might have a vision statement which reads "A World without Poverty."
Key Partners	The network of cooperative agreements with other people or organizations (including governments) necessary to efficiently offer and distribute the organisation's mission and programmes.
Key Activities	The main actions which an organisation needs to perform to create its value proposition.
Key Resources	The physical, financial, intellectual or human assets required to make the business model work.
Value Proposition	The organisation's mission, its main/key programmes and brand.
Mission	Defines the fundamental purpose of an organization, succinctly describing why it exists and what it does to achieve its vision. For example, the charity working with the poor can have a mission statement as "providing jobs for the homeless and unemployed".
Relationships	The type of relationship the organisation has established or wants to establish with each key beneficiary or donor segment.
Programme delivery methods	The method which the organisation uses to achieve its mission or programme activities to the beneficiaries.
Beneficiaries	The target group who the organisation principally aims to reach and serve to achieve its vision/mission.
Revenue	The income streams, this could be donations, merchandises/sales, investments or other income streams available for the organisation to work on its value proposition.
Costs	The total expenses which the organisation incurred (or will incur) to implement the agreed activities.

Table 8: Adjusted key definitions for the Foundations interviews

Vision:

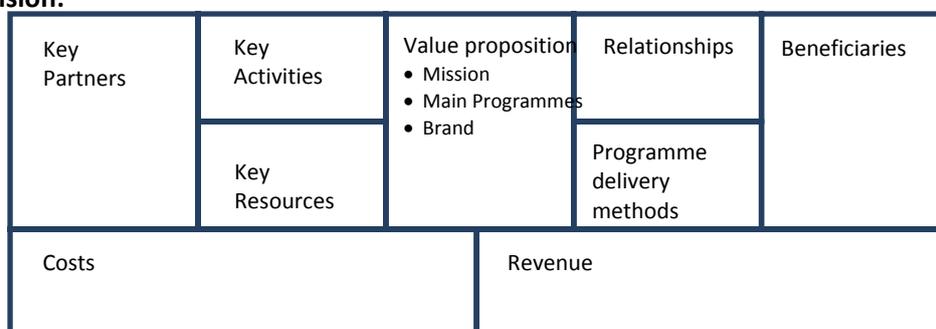


Figure 10: Conceptual business model canvas for Foundations

4.2.3 Outcome of the Foundation interviews

Vision

Both interviewees felt that the organisation's vision does not need to be specifically mentioned in the business model canvas, as the vision is already clear from the organisation's mission and/or the expected outcome.

Brand

During both the interviews it became clear that the use of the term 'brand' for Foundations is slightly different than that for implementing NGOs. For Foundations a strong brand mainly provides access to governments and stakeholders, plus attracting sound grant proposals and strong partners.

Foundations do not need 'brand' for fundraising as it has already secured funding, nor does it need brand recognition with the general public.

Beneficiaries

From the interviewees and the organisation's annual reports it became clear that the main programme delivery method for Foundations to reach their beneficiaries is via grants to implementing partners. This means that for foundations beneficiaries are the same as their grantees. However, within the business model canvas the beneficiary business model component tries to capture the 'ultimate beneficiaries', or 'end users' as identified by De Langen and Bitter-Rijkema (2012), and the programme delivery method (or channel) tries to capture the means which the organisation uses to reach its 'ultimate beneficiaries'. Therefore, for Foundations, but also for several of the implementing NGOs, as they work via (local) governments, local partners, etc, this business model component needs to be re-worded to 'ultimate beneficiaries'. This will avoid confusion between the programme delivery method and the beneficiaries' business model components.

Another point highlighted by the interviewees was that for conservation organisations it is not easy to identify their ultimate beneficiaries as the end beneficiary is biodiversity, for example, trees, animal species, etc., unlike development organisations who have as the end beneficiary a targeted population like children, teenagers, illiterate adults, etc.

Impact

There was a mixed response regarding the question whether a component that shows impact (section 4.1.1) should be added to the business model canvas. One of the respondents recommended that it should as it replaces the vision and also enables the use of the same business model canvas template when analysing the organisation on a programmatic, department or unit level. As it is the pillar of the organisation's work, it was recommended that it should be added as a building block at the bottom of the business model canvas (under revenue and costs). The other respondent advised not to include this component as it is difficult for NGOs, especially conservation ones, to measure their programmatic impact due to attributional and measurement challenges.

Costs

As the cost of a Foundation consists mainly of grant-making and operational costs it was recommended to change the title of the 'costs' component to 'grants and expenditure', and when the business model concerns implementing INGOs maybe only 'expenditure'. The recommendation was based on two reasons; 1) costs have a negative association and the majority of the 'costs' of a Foundation consists of providing grants to others to achieve social change, as pointed out by one interviewee, and 2) the labelling of costs in the business model canvas is derived from the for-profit business world where the focus is on cost structures in order to enhance profitability. As the ultimate aim of a NGO is social change, their focus is more on the other parts of the business model canvas. When reviewing the annual reports of both organisations, as well of other NGOs (Greenpeace 2011, CARE USA, 2011 and WWF International 2012) it could be seen that the reports referred to expenditure instead of costs.

Opponents or targeted change makers

One of the interviewees recommended that when an organisation completes its business model canvas it should also think about its opponents or targeted change-makers, as NGOs aim to achieve social change. Therefore, when they think through their strategies and activities, they also need to identify the groups that will be negatively influenced by the actions of the NGO and prepare strategies or key activities on how to deal with them. This is similar to the social and economic costs

building block in Osterwalder and Pigneur's (2010) triple bottom line business model. The interviewee mentioned that this should not be included in the business model canvas, but should be an additional step that the NGO undertakes during the development of their business model.

Usefulness

During the interviews several usages for the business model canvas were identified:

- Visualisation of the organisation's business model;
- Support to the organisation's strategic planning process or review of the organisation's strategies;
- Induction of new staff members;
- In addition to analysing the organisation at an organisational-level, also ability to analyse at a programmatic, department or unit level.
- Communication to others outside the organisation, such as peers and partners;
- Support in the organisation's change or adaptation process.

4.3 INGOs

Between June – October 2013 leaders of five INGOs were interviewed. These INGOs varied from globally well-known organisations to those that operate in a niche segment or are widely known within a country and/or within the NGO community. All the five organisations operate internationally and are therefore referred to as INGOs. The annual income of the case study INGOs varied from less than CHF 1 million to a portfolio of more than CHF 1 billion. Of this sample, two operate in the development/humanitarian sector (CARE International and Médecines Sans Frontières), two operate in the conservation field (WWF International and Noé Conservation) and one operates in the niche segment overlapping both the above sectors (ProAct Network). A short description of the interviewed INGOs is provided below (in alphabetical order). All the INGOs interviewed could be placed in quadrant II of Collins (2005) (section 2.5).

4.3.1 INGO introductions

CARE International

CARE (Cooperative for Assistance and Relief Everywhere) was founded in USA in 1945 to provide relief to survivors of the Second World War. Since then CARE has become a global network dedicated to fighting poverty and discrimination around the world.

In the mid-1970s the organization started to become an international body, with the opening of offices outside North America. In 1979 an umbrella body, called CARE International, was established to coordinate among the various national CARE organizations. CARE International is a confederation of twelve CARE National Members and two affiliated members. Its Secretariat is based in Geneva, Switzerland with offices in New York and Brussels.

In 2012 CARE worked in 84 countries, through 997 development and humanitarian aid alleviation projects and reached 83 million people (Wikipedia CARE (relief agency), 2013 and www.CARE-International.org, 2013).

In the annual ranking of the top 100 NGOs published by the Global Journal, CARE International ranked 7th in 2012 (Kalagas, Billings, Cothereau, El Jamali, Schneider and Zappile, The Global Journal, 2012).

Médecines Sans Frontières

Médecins Sans Frontières (MSF) is an international medical humanitarian NGO. It delivers aid to people affected by armed conflict, epidemics, natural disasters and exclusion from healthcare. MSF operates independent of government, religious and economic influences.

MSF was founded in 1971 by a small group of French doctors and journalists. In 1999 the organization received the Nobel Peace Prize in recognition of its effort to provide medical care in acute crises and for raising international awareness of potential humanitarian disasters. MSF International is based in Geneva, Switzerland. In 2012 MSF had an income of approximately Euro 938 million. 89% of this income was from private donations (Wikipedia Médecins Sans Frontières, 2013, MSF International Financial Report 2012 and MSF International Activity Report 2012).

Noé Conservation

Noé Conservation was established in 2002 in Paris, France. It is an international NGO which focusses on conserving biodiversity. It operates mainly in France and French-speaking countries working with the general public, governments, businesses and local communities both on long-term (behaviour changes) and short-term (mobilizing stakeholders) solutions to save biodiversity and restore the welfare of all living species on the planet. In 2004 Noé Conservation hired its first full-time permanent staff member and by 2012 had grown to 15 FTEs (full time equivalent) (www.noéconservation.org, 2013).

ProAct Network

ProAct Network was established in 2007 and is an environmental NGO which focuses on supporting vulnerable communities to improve their resilience to disasters, climate change and humanitarian crises, through sustainable environmental management. The organisation is small, with staff numbers varying between two to ten between 2007 – 2013. It works mostly through a network of Associates and Members as well as partners and consultants. The organisation is currently based in Switzerland, but is moving to the United Kingdom (www.proactnetwork.org, 2013, ProAct Network Annual Review, 2009 and ProAct Network Flyer, 2009).

WWF International

WWF (World Wide Fund for Nature) was founded in 1961. According to the Global Journal (2012), it is the largest independent conservation organisation in the world. Its Secretariat (WWF International) is based in Switzerland. The organisation is active in over 100 countries in the world, with over 1,300 on-going projects. According to the WWF Annual Review 2012, it has 80 offices with over 5,000 staff worldwide. WWF has strong brand recognition through its Panda logo.

In 2012 WWF had an annual income of nearly Euro 593 million. 58% of its funding comes from individuals. The organisation has over 5 million supporters worldwide (WWF Annual Review 2012, 2013).

4.3.2 Adjusted conceptual model and definitions for INGOs

The INGO conceptual business model canvas and definitions was based on interview responses from NGO experts and Foundations, as well as (re-)reading and analysis of the relevant literature. Table 9 shows the definitions of the business model canvas components used for the INGOs interviews, and figure 11 shows the INGO conceptual business model canvas used for the INGO interviews.

Key definitions	
Business model	A business model describes the rationale of how an organization creates, delivers, and captures value.
Vision	Outlines what the organization wants to be. It can be emotive and is a source of inspiration. For example, a charity working with the poor might have a vision statement which reads "A World without Poverty."
Key Partners	The network of cooperative agreements with other people or organizations (including governments) necessary to efficiently offer and distribute the organisation's mission and programmes.
Key Activities	The main actions which an organisation needs to perform to create its value proposition.
Key Resources	The physical, financial, intellectual or human assets required to make the business model work.
Value Proposition	The organisation's mission, its main programmes and brand.
Mission	Defines the fundamental purpose of an organization, succinctly describing why it exists and what it does to achieve its vision. For example, the charity working with the poor can have a mission statement as "providing jobs for the homeless and unemployed".
Relationships	The type of relationship the organisation has established or wants to establish with each key beneficiary or donor segment.
Programme delivery methods	The method which the organisation uses to achieve its mission or programme activities to the beneficiaries.
Ultimate Beneficiaries	The target group who the organisation principally aims to reach and serve to achieve its vision/mission.
Channels	The methods of communication, distribution and sales used by the organization to interface with its customer/donor segments.
Customer/Donor Segments	The different group of customer and/or donor segments which the organisation targets for its fundraising activities. In this component customers tend to be more related to the merchandising section of the organisation and donors tend to be related to the fundraising section of the organisation.
Revenue	The income streams, this could be donations, merchandises/sales, investments or other income streams available for the organisation to work on its value proposition.
Costs	The total expenses which the organisation incurred (or will incur) to implement the agreed activities.

Table 9: Adjusted key definitions for the INGO interviews

Vision:

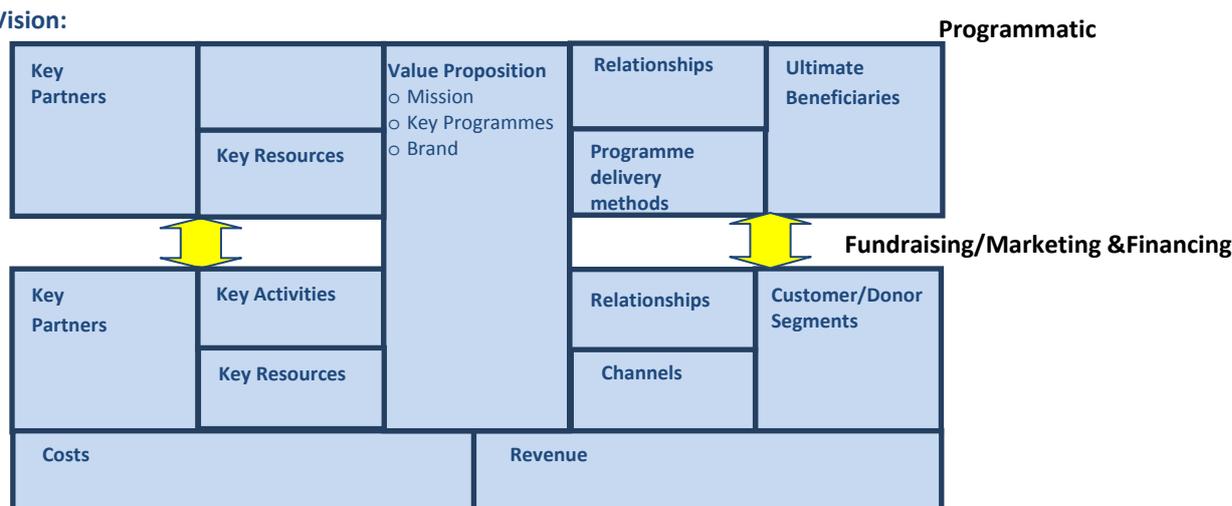


Figure 11: Conceptual business model canvas for INGOs

4.3.3 Outcome of the INGOs interviews

Annex 7 outlines the interview questions posed to each INGO. Table 10 below provides a summary of the responses of each interviewee to some of the open-ended questions and issues requiring clarification after the literature review and interviews with NGO experts and Foundation leaders. For confidentiality interviewees are identified by numbers, these do not coincide with the alphabetical order of INGOs described in section 4.3.

	1	2	3	4	5
Existing Vision statement?	Yes	Yes	No	Yes	No
Include Mission statement?	Yes	Yes	Yes	Yes	Yes
Importance of Brand?	Important	Important	Important	Important	Important
Terminology Revenue, Funding or Income?	Funding or Income	Any	Income	Funding or Income	Income
Include Impact as business model canvas component?	2 Options: 1) It is already in the mission; 2) Include on a programmatic level	Not if it is already explicit in the operational plan. If it is not explicit then include. On a programmatic level it could be good to include.	No, already in mission. On programme side mentioned in other documents on individual programme level.	Not in conservation	Not globally, maybe programme
Any components missing from the canvas?	No	No	Governance structure. As this would show how the NGOs are different.	No	Governance structure and/or decision-making structure. Show how NGOs are different.
Does the canvas represent your organisation?	Yes	Yes	Yes	Yes	Yes
What is the business model canvas useful for?	<ul style="list-style-type: none"> ○ Understand the dependencies of the separate elements ○ Change process ○ Visualization of the organisation ○ Staff induction ○ Test theory of change ○ Analysis between divisions/offices or within divisions. 	<ul style="list-style-type: none"> ○ Visualization ○ Reflecting alignment ○ Communication (different audiences) 	<ul style="list-style-type: none"> ○ Comparisons ○ Gap analysis ○ Focussing ○ Understanding 	<ul style="list-style-type: none"> ○ Communication ○ Internal alignment 	<ul style="list-style-type: none"> ○ Annual/strategic plan ○ To look at the organisation from a different point ○ Fundraising/major donors ○ Publications ○ Briefing to new staff members

Table 10: Cross interview analysis of several open interview questions

Value Proposition (Question 3, annex 7)

All the interviewed INGOs have a mission. The interviewees mentioned that most of the staff members working for their organisations are aware of the mission as it is one of the main reasons for

them joining the organisation. Hence, mission is the heart of the organisation, as concluded during the literature review (section 2.6).

During the interviews the importance of the brand to NGOs, highlighted in the literature review, was confirmed by all. In fact five interviewees stated the brand was ‘vital’. It was confirmed (section 4.1.1) that it would be good to show the logo in the business model of the INGO mainly in the ‘value proposition’ component.

Costs (Questions 16, annex 7)

Based on the outcome of the Foundations interviews and reviewing the annual reports of all the INGO case studies, it was decided to rename the costs building block to expenditure, whilst still using the same definition.

Governance (Questions 18, annex 7)

Two interviewees wondered whether the governance structure should be included in the business model canvas, a point also highlighted by both Baguley (2009) and Michelini and Fiorentino (2012). For Baguley a possible reason for inclusion is the fact that this aspect of an organisation is one of the principal differences between companies and NGOs. This was the same reason mentioned by both interviewees. However, no reviewed literature proposes how to visualize this aspect in the business model canvas. This is a challenge, given that visualization is regularly cited by both the literature and the interviewees as an important benefit of the business model canvas. This topic clearly deserves further research.

Impact (Question 19, annex 7)

Responses to whether ‘impact’ should be a component of the canvas were mixed (table 10). In addition to the recommended positioning of this component derived from the Foundations interviews, a second recommendation was to include it in the programmatic section next to the ultimate beneficiaries.

Usefulness (Question 20, annex 7)

All the INGO interviewees believed that the business model canvas is a useful tool that can serve different functions (table 10). The usages cited by the interviewees are in line with the ones cited in the literature, by NGO experts and Foundation leaders, though the exact terminologies differ slightly. For example, ‘to test the theory of change’ is analogous to analysing, managing and planning according to section 2.2 (literature review).

4.4 NGO business model canvas and its definitions

To help in answering the central research question ‘*How is a NGO business model canvas structured?*’, several sub-questions were looked at during the literature review and testing of the conceptual model. Table 11 shows the individual research sub-question and highlights the section in the thesis where it is answered.

	Sub research questions	Answered in the thesis
1.	What is a business model?	Chapter 2.1
2.	What is a business model canvas and what are its components?	Chapter 2.4
3.	What is the use of a business model framework or canvas?	Chapter 2.2
4.	What is a NGO?	Chapter 2.5
5.	Which business models are suitable for NGOs?	Chapter 2.3 & 2.6
6.	What are the building blocks of a business model canvas for NGOs and how would they be defined?	Chapter 2.6

7.	How does the conceptual business model canvas relate to the case studies?	Chapter 4
8.	Based on the results of the interviews, how does the conceptual model need to be adapted to draw a business model canvas for NGOs that can be used both by practitioners, academics and non-governmental organizations?	Chapter 4.4

Table 11: Research sub-questions

Following the development and testing of the conceptual business model canvas (chapter 2), this resulted in development of two business model canvasses – one to analyse Foundations and the other to analyse INGOs. Both can be used by NGOs, academics and others to examine the business model of an individual organisation, unit, department, or office, or compare several different NGOs or the general NGO sector.

The next two sections presents the proposed business model canvasses for Foundations and INGOs and table 12 presents the proposed definitions for both business model canvasses.

4.4.1 Foundations business model canvas template

Figure 12 shows the business model canvas template for Foundations. As mentioned earlier, this can be used by Foundations, but also by NGOs that have one income stream.

Vision:

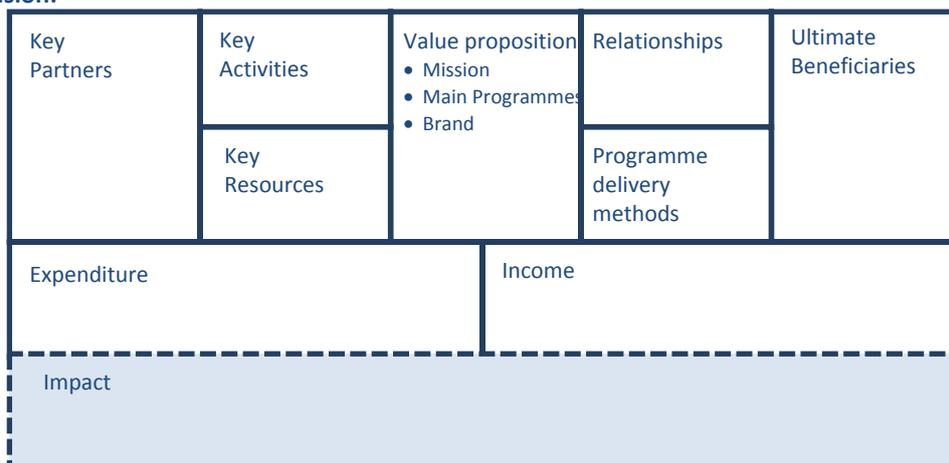


Figure 12: Business model canvas for Foundations

4.4.2 INGOs business model canvas template

Figure 13 is the business model canvas that is more appropriate for INGOs who have multiple streams of income and hence need to undertake different fundraising and marketing activities.

Vision:

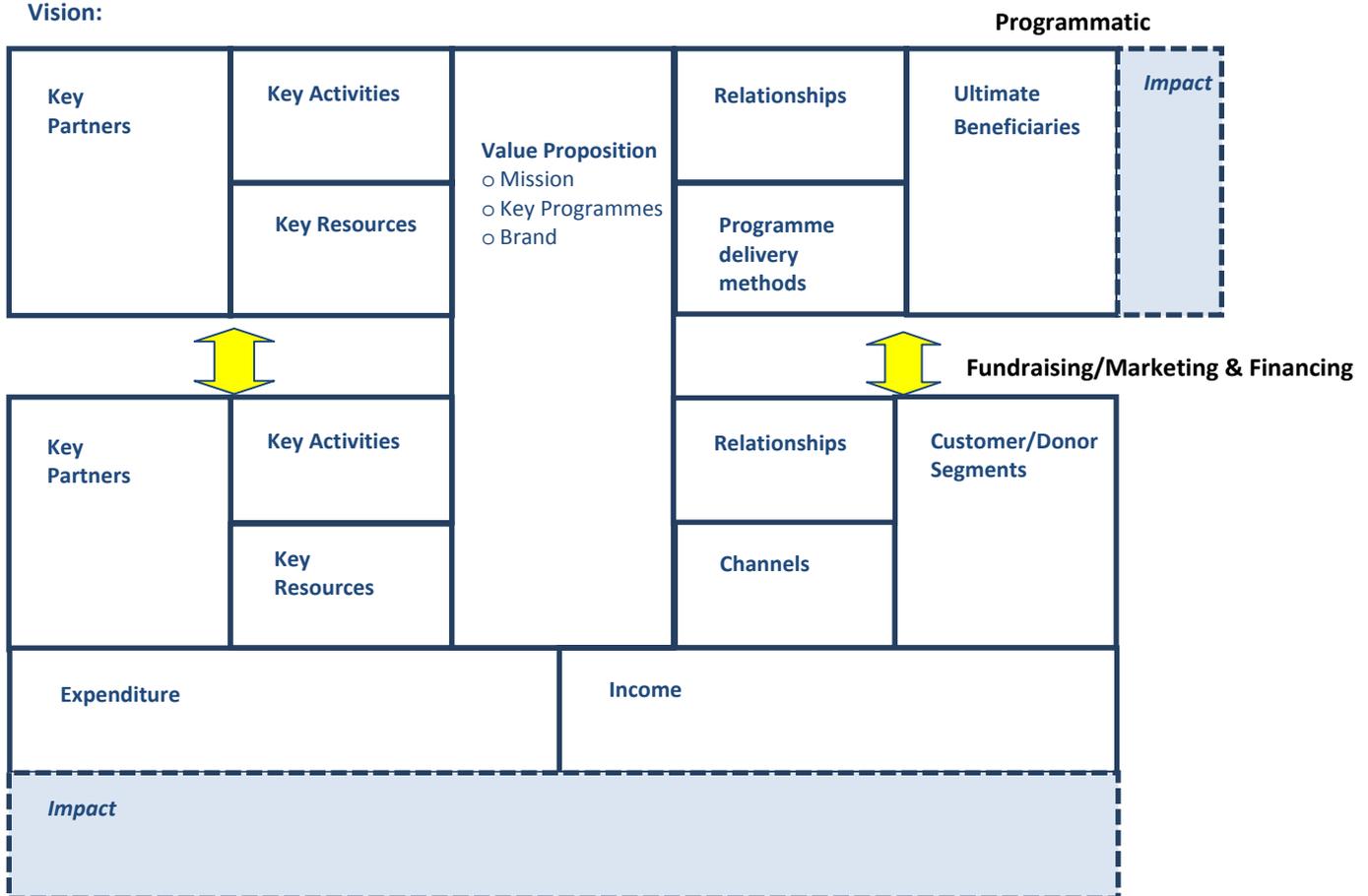


Figure 13: Business model canvas for INGO

	Key definitions	Source
Business model	A business model describes the rationale of how an organization creates, delivers, and captures value.	Osterwalder & Pigneur (2010)
Vision	Outlines what the organization wants to be. It can be emotive and is a source of inspiration. For example, a charity working with the poor might have a vision statement which reads "A World without Poverty."	Adapted from interviews
Key Partners	The network of cooperative agreements with other people or organizations (including governments) necessary to efficiently offer and distribute the organisation's mission and programmes.	Adapted from Michelini & Fiorentino (2012) and interviews
Key Activities	The main actions which an organisation needs to perform to create its value proposition.	Adapted from Osterwalder & Pigneur (2010) and interviews
Key Resources	The physical, financial, intellectual or human assets	Osterwalder & Pigneur (2010)

	required to make the business model work.	
Value Proposition	The organisation's mission, its main programmes and brand.	Adapted from Baguley (2009); Collins (2005); Michelini & Fiorentino (2012); Osterwalder & Pigneur (2010), NGO annual reports and interviews
Mission	Defines the fundamental purpose of an organization, succinctly describing why it exists and what it does to achieve its vision. For example, the charity working with the poor can have a mission statement as "providing jobs for the homeless and unemployed".	Adapted from interviews
Relationships	The type of relationship the organisation has established or wants to establish with each key beneficiary or donor segment.	Adapted from Osterwalder & Pigneur (2010)
Programme delivery methods	The method which the organisation uses to achieve its mission or programme activities to the beneficiaries.	Adapted from Osterwalder & Pigneur (2010) and interviews
Ultimate Beneficiaries	The target group who the organisation principally aims to reach and serve to achieve its vision/mission.	Adapted from Sleurink (2002) and interviews
Channels	The methods of communication, distribution and sales used by the organization to interface with its customer/donor segments.	Adapted from Osterwalder & Pigneur (2010)
Customer/Donor Segments	The different groups of customers and/or donor segments which the organisation targets for its fundraising activities. In this component customers tend to be more related to the merchandising section of the organisation and donors tend to be related to the fundraising section of the organisation.	Adapted from Osterwalder & Pigneur (2010); Sleurink (2002) and interviews
Income	The income or funding streams, this could be: donations, merchandises/sales, investments or other income streams available for the organisation to work on its value proposition.	Adapted from NGO annual reports and interviews
Expenditure	The total expenses which the organisation incurred (or will incur) to implement the agreed activities.	Adapted from Osterwalder & Pigneur (2010), NGO annual reports and interviews
Impact	The higher-level situation that the project or programme aims to achieve.	Adapted from interviewee who based it on the British Development Agency (DFID) terminology

Table 12: Definitions NGO business model canvas

Vision

The overall response on whether to include a vision statement in the business model canvas was mixed. Not all the organisations had a vision or thought that it would add value to include it in the business model canvas. One INGO that did not have a vision, was working on it at the time of the interview and therefore recommended that it would be beneficial to include. Due to the mixed response and as it would not negatively impact on the comparison feature of the business model canvas; the recommendation is to keep this component flexible.

Impact

The proposed definition is 'the higher-level situation that the project or programme aims to achieve'. Based on the interviews, the recommendation is that this is a flexible building block within the

business model canvas that can be used depending on the organisation and/or the level at which the business model canvas is used. This should not have a negative influence on the comparability function of the business model canvas, as:

- Impact is not the defining component determining or highlighting the difference between NGOs.
- Most INGOs find it hard to define the impact at the highest organisational level, and are likely to find this component more suitable for individual office, department or programme.
- At the highest organisational level the vision or mission of the organisation already defines the desired outcome that the organisation strives to achieve.

Two section NGO business model canvas

All INGO interviewees felt that for INGOs with multiple streams of income dividing the business model canvas into two sections (programmatic and fundraising/marketing & finance) provided greater clarity of their business model canvas, and hence made the tool more useful.

Customer/Donor Segments

Not all INGOs have merchandising as part of their fundraising strategies, when this is the case the customer element of this building block is not required and building block can be referred to as 'donor segments'.

4.4.3 Example INGO business model canvas – ProAct Network

Presented in annex 8 is the INGO business model canvas completed by one of the interviewed INGOs, ProAct Network. This is based on the interview with the Chairman of the organisation.

When looking at annex 8, note that the key partners section (programme) shows the niche of this NGO well as it works with humanitarian, disaster relief and environment NGOs.

5. Conclusions, Reflections and Discussions

This chapter will summarise the differences between the conceptual model and the final tested business model canvas (section 5.1.1), some general observations (section 5.1.2, 5.1.3 and 5.1.4) and a reflection on the research methodology (section 5.2). The chapter ends with a discussion on the academic (section 5.3.1) and practical (5.3.2) relevance of this research, as well as, suggestions for further research (section 5.4).

5.1 Conclusions from interviews

5.1.1 Difference between the conceptual model and the final canvases

The objective of the research was to develop a business model canvas for NGOs. After the literature review a business model canvas for NGOs was conceptualised. This was tested on four NGO experts, and leaders of two Foundations and five INGOs. This led to the development of two separate canvases, one for Foundations and one for INGOs. Both, with their related definitions, are presented in section 4.4.

The business model canvas was well received and the interviewees were able to provide substantive inputs. When comparing the original conceptual business model canvas for NGOs (section 2.6) with the two tested and recommended business model canvases the following conclusions can be drawn:

- The Foundations business model canvas has largely the same structure as the original conceptual model (section 2.6).
- In the INGO business model canvas (section 4.4), the programmatic and Fundraising/marketing & financing sides have been split.
- The definitions of the business model canvas components have changed significantly to be better aligned with the NGO language. As stated during the NGO expert interviews, the better aligned language will enhance the usage of the business model canvas within the NGO community.
- A flexible component for vision and impact are suggested for inclusion in the business model canvas for both Foundations and INGOs.
- The customer segment building block needed to be identified as ultimate beneficiaries.
- For Foundations one does not need to highlight the donor in the customer segments building block, as this is already seen in the income building block. This allowed the customer segment building block to be replaced with the ultimate beneficiaries' building block.
- On the programmatic side, the channels building block was not well understood and therefore replaced with the programme delivery methods building block.
- For different reasons the brand of the organisation is important for both Foundations and INGOs, therefore it was recommended to show the organisations logo in the value proposition building block.
- As Governance is one of the differentiating factors between NGOs, this could be a building block or feature to be added to the canvas. This is an issue that is recommended for future research.

It is understandable that the conceptual model and definitions changed after the testing phase, given the limited research on business models of NGOs, and hence the heavy reliance on business management and social business literature. See figures 5, 12 and 13, plus the definitions in section 2.6 and table 12.

5.1.2 Usability

The interviews also tested the perceived usability of the business model canvas. In general, the organisational leaders and NGO experts felt that the business model canvas was a useful tool. Two of the interviewees used the business model canvas straight away in their organisation.

When comparing the usability of the business model canvas in the literature (section 2.2) with those mentioned by the interviewees (sections 4.1.1, 4.2 and 4.3.7) it can be seen that nearly all were raised once or more during the interviews. This was especially the case after the definitions were adjusted from business to NGO language. For example, prospects which is the equivalent of fundraising for NGOs. The only usability mentioned in the literature review that was not mentioned during the interviews was for patenting of business models.

5.1.3 Ease of completion

It should be highlighted that even though none of the organisations interviewed had any existing visual business model canvas, all the organisations used different tools to determine their business model and were also clearly aware of how the components of their business model looked like. All were able to complete the business model of their organisation with great ease.

5.1.4 Observations

Based on the research there are several observations about the business model canvas:

- It is a solid base for theorizing: Seelos's (2010) conclusion that model building is an extremely useful technique and a solid base for theorizing holds true. The experience of model building suggests that learning comes less from looking at the model and more from building the model and manipulating it.
- It is a question of aggregation and decomposition: Casadesus-Masanell et al. (2010) mention in their research that complete business models are often too complex and unwieldy for working with, so the analyst must simplify their representation. This can be done in two ways, aggregation and decomposition. During the development and testing of the conceptual model, the main focus was on aggregation – looking at the business model from a distance by bundling details into larger constructs. However, during the test phase it became clear that due to the complexity of NGOs it was also necessary to focus on the decomposition of the business model – analysing different parts of the organisation in isolation.
- Need for flexibility of the canvas: The business model canvas template requires a certain degree of flexibility to allow each organisation to slightly adjust it to fit the organisation's needs. This will increase the possible usage by the organisations, while at the same time, still giving uniformity to allow comparison between different NGOs.

5.2 Reflection

5.2.1 Reflection on the research methodology

Lambell et al. (2008) mention that the largest and most important NGOs for analysis are in the fields of international development, poverty relief, natural environment and medical emergencies (section 3.3). The case studies researched include several of the largest NGOs in their fields, such as CARE International (international development and poverty relief), MAVA Foundation, OAK and WWF International (natural environment) and emergency relief (Médicins Sans Frontières), as well as a few specialized implementing INGOs (ProAct and Noé Conservation). Four NGO experts, leaders of two Foundations and five INGOs were interviewed for this research. Yin (2009) indicates that for case study research methodology 2-3 cases are deemed sufficient (section 3.5). This criteria was met in each of the case study groups. And as the results of each group was incorporated into the research questions and conceptual model for the next case study group. This means that the NGO business

model canvas was tested not only on the INGO case studies, but also by the NGO experts and the international Foundations.

Case study design highlights the criteria which need to be met for a case study to be considered well designed. Steps were taken during the research which were anticipated and described in the section 3.4, for example, each interview group had the same case study and interview protocol as the other interviewees in their specific group.

Section 3.9 highlights the preferred method for data analysis. As can be seen in section 4 the method of ‘construct tables’ have been used during the data analysis phase of this research. Similar ‘construct tables’ have also been used for the analysis of the data from all the interviews. The summary of the interviews are presented in this paper.

As the leaders interviewed from the Foundations and INGOs were all of senior rank within their organization (varying from the President of the organisation to senior director-level), they had very busy work schedules that meant interviews were frequently re-scheduled which had a knock-on impact on the next stages of the research process. A lessons-learnt from the research is to plan a longer timeline for interviews. Even though this phase of the research took longer than anticipated, it did mean that the criteria highlighted both by Eisenhardt and Graebner (2007) and Weerawardena, McDonald & Sullivan Mort (2009) that the case study interviews should be conducted with senior level employees of the organisations, was met (section 3.8).

Reviewing table 13 (also presented in chapter 3) the interview questions led to the adjustment of the business model canvas and its definitions and helped to identify possible usages and functions of the business model canvas for NGOs. When reviewing the results chapter and re-looking at the interview questions, it can be concluded that the research objectives were reached.

Aim of the interviews were to:		Related questions case study interview (annex 5)	Aim reached?
i	Identify the current use of the business model canvas tool by NGOs;	Question: 1	Yes
ii	Test the conceptual NGO business model canvas model;	Questions: 2 - 13	Yes
iii	Test the building blocks of the conceptual model and its definitions;	Questions: 2 – 11	Yes
iv	Identify the usability and functions of the business model canvas for NGOs;	Question: 12	Yes

Table 13: Identifying the sections of the thesis which answer the individual research sub-questions

As mentioned previously the minimum case studies threshold per interview group was reached, and by conducting the testing of the conceptual model in a staged approach, the conceptual model that was tested on INGOs was better defined than the conceptual model based solely on the literature review. This is understandable as there was little academic research related to business models for NGOs, which meant that business and social business literature had to be used. To further test the conceptual model of the NGO business model canvas it would be interesting to increase the number of case studies to include a few nationally focussed NGOs or solely government funded NGOs (quadrant I, Collins (2005)), to see whether their business model canvas would be closer to the Foundations or the INGO business model canvas. It would also be interesting to research the business model canvas on NGOs which are representative for the other quadrants of Collins’ (2005) model, for example the Red Cross, which has a different funding model than the NGOs tested in this research and which would be placed in Collins fourth quadrant.

This research was of an exploratory nature, as explained in chapter 3, which meant that the research was more exciting as few or no earlier studies had been conducted on this subject (Lynn University, 2014). This gave the opportunity to develop a new theory or hypotheses. The consequence is that the newly built business model canvases are tentative, so more case studies and testing should be conducted to confirm and establish their validity.

Based on the above it can be concluded that the methodology with the steps, process and criteria as set-out in chapter 3 were carefully followed throughout the whole research.

5.2.2 Reflection on lessons-learnt

- a) The phased case study interview groups' process worked well as it tested the conceptual model and its related definitions more thoroughly than if the conceptual model based on the literature review has been tested only on the five INGOs.
- b) The above approach was only decided after the literature review stage. This led to a longer testing period (Feb 2013 – Sept 2013), than originally anticipated (Jan 2013 – May 2013).
- c) That the subject was relatively unexplored, made it a more interesting research, however the consequence was that the literature review phase of the research took longer as more articles on related disciplines had to be read.
- d) During the research, I had taken 2.5 months unpaid leave to concentrate on the thesis. However, mostly due to the relative novelty of the subject this period was insufficient and afterwards combining work and the thesis slowed progress.
- e) As the duration of the research took longer, more time was spent keeping up-to-date with the literature on business models for NGOs. This enabled incorporation of the latest thinking and answered ensured the relevance of the research.
- f) Given the researcher's background in the NGO sector, several questions or uncertainties coming out of the literature review should have been picked up at an earlier stage. For example the question on governance, the split of the business model canvas for implementing INGOs. These issues were identified during the interviews with the case studies.
- g) This was an exploratory research on a relatively little studied subject. This, in combination, with the researcher's practical knowledge of the subject meant that it was really an exciting process to undertake. During the process one gets even more enthusiastic with gaining and creating additional knowledge. However the consequence was that each stage of the process took longer than planned as one is discovering new theories and reflecting on the academic articles in more detail to think through the relevance and connecting that to the NGO business model theories.

5.3 Discussion

The objective of this study was to develop a business model canvas for NGOs so as to expand the knowledge of one hybrid business model and at the same time provide a practical tool for practitioners, academics and non-governmental organizations.

5.3.1 Academic relevance

Hailey (2009) concludes in his paper, that little research has been done on the approaches or tools to assess different organisational models of NGOs. As mentioned in the introduction, I noticed that there was no business model framework that NGOs could use to describe, manage, analyze or communicate their business model. My feeling is that to be able to assess different organisational models for NGOs the first step would be to visualize the NGO business model before assessing different suitable models. Given the paucity of research on this subject, this thesis has expanded the academic knowledge on the subject by providing:

- A literature review of the business model theory in relation to social business and NGOs;
- A tested business model canvas for NGOs (Foundations and INGOs);

- A set of definitions usable for research with and communications by NGOs, and;
- Opportunity for further research.

5.3.2 Practical relevance

During the interviews it became clear that the model will be used by two of the organisations interviewed. The other interviewees identified the model as being a potentially useful tool for different functions, such as:

- Communications, internally and externally;
- Visualisation;
- Change processes;
- Analysing and understanding;
- Comparison with other organisations;
- Internal alignment

This means that the new tool has practical relevance for NGOs, as well as, organisational development consultants working together with NGOs.

5.4 Recommendations

“The process of writing up the results of the analyses may trigger additional questions for the researcher, or suggest investigating alternative explanations”, Edmondson and McManus (2007, 1175). This quote encapsulates this thesis. During the research ideas for further research came to mind. This section highlights some of these recommendations that can be addressed by future researchers.

Recommendation for further research:

- Study NGOs which can be placed in Collins’ (2005) other quadrants (quadrant I, and III).
- Comparative study of different business models of NGOs.
- Comparative benefits of the different business models of NGOs.
- Complexity of developing new structure and the related transition process in moving from one business model to another.
- Contextual understanding of business models, how companies and entrepreneurs create, develop and transform business models in a ‘given context’. (Vives & Svejnova, 2011).
- Changing business models of INGOs in the historic context of its development and the impact it had generated. This builds on the above point by Vives & Svejnova. Currently several of the major international NGOs are transitioning their operating and/or business models. For transitions to happen successfully it is good to look at the historic perspective of why a NGO developed in the way that it did and at the same time look at the anticipated future trends.
- Business model component ‘Governance’, whether it should be included in the business model canvas of NGOs and, if yes, then how it should be presented or visualized in the business model framework.

This was an interesting subject to research, which has opened the doors for multiple additional research opportunities.

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Annex 1 Definitions of a business model

Timing	Author	Definition	Comments
1998	Timmers	The 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 revenue.	Taken from Osterwalder (2004).
2001	Amit and Zott	Depicts the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities	Was at the time mainly focussed on e-business.
2001	Afuah et al.	A method by which the firm builds and uses its resources	Taken from Mansfield et al. (2004)
2001	Rappa	The method of doing business by which a <u>company</u> can sustain itself.	Taken from Osterwalder (2004)
2002	Magretta	Stories that explain how enterprises work	
2005	Shafer et al.	The representation of a firm's underlying core logic and strategic choices for <u>creating and capturing value within a value network</u> .	
2005	Osterwalder et al.	The blueprint of how a <u>company</u> does business.	
2008	Al-bei et al.	An abstract representation of an organization, be it conceptual, textual, and/or graphical, of all core interrelated architectural, co-operational, and financial arrangements designed and developed by an organization presently and in the future, as well as all core products and/or services the organization offers, or will offer, based on these arrangements that are needed to achieve its strategic goals and objectives.	It was seen as important that the definition would identify the location of the business model within the digital business organization.
2010	Osterwalder et al.	Describes the rationale of how an <u>organization</u> creates, delivers, and captures <u>value</u> .	
2010	Zott and Amit	A system of interdependent activities that transcends the focal firm and spans its boundaries	Evolution of the 2001 definition to include the fact that transactions connect activities.
2010	Smith et al.	The design by which an organization converts a given set of strategic choices – about markets, customers, value propositioning – into value, and uses a particular organizational architecture – of people, competencies, processes, culture and measurement systems – in order to create and capture this value.	
2010	Svejenova et al.	Sets of activities, organizing, and strategic resources that individuals employ to pursue their interests and motivations, and to create and capture value in the process.	
2010	Casadesus-Masanell et al.	Consists of a set of managerial choices and the consequences of those choices.	
2011	Vives et al.	An 'umbrella construct' that span phenomena across	

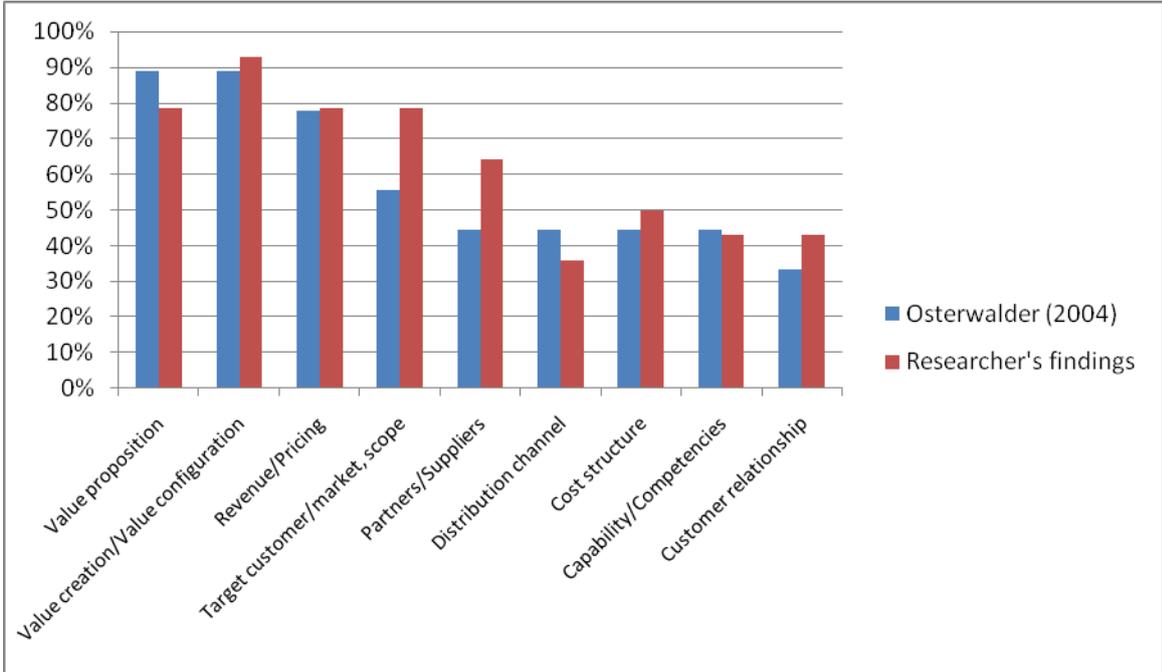
diverse contexts, from start-ups and established corporations to settings of deep poverty or art.

Annex 2 Business model components matrix I

BM Components		Chesbrough (2010)	Osterwalder e& Pigneur (2010)	Casadesus-Masanell et al. (2010)	Shafer et al. (2005)	Hedmen & Kalling (2003)	Johnson (2010) / Eyring et al. (2011)	Lindgardt et al. (2009)	Demil & Lacocq (2010)	Itami & Nishino (2010)	Yunus et al. (2010)	Michelini & Fiorentino (2012)	Storbacka (2011)	Yip (2004)	Petrovic et al. (2001)	TOTAL
Strategic choices	Customer (Target Market, Scope)	1	1		1	1	1	1	1			1	1	1	1	11
	Value proposition	1	1		1		1	1	1		1	1	1	1	1	11
	Capabilities/Competencies				1	1			1			1	1	1		6
	Revenue/Pricing	1	1		1	1	1	1	1		1	1	1		1	11
	Competitors	1			1	1			1							4
	Output/ Offering	1	1		1	1	1	1	1		1	1	1	1	1	12
	Strategy	1			1					1						3
	Branding				1		1									2
	Differentiation				1								1			2
	Mission/Goal of the organisation				1							1				2
Create Value	Resources/Assets	1	1	1	1	1	1	1	1	1	1		1	1	1	13
	Processes/Activities	1	1		1	1	1	1	1	1	1	1	1	1	1	13
Value Network	Suppliers	1	1		1	1			1		1					6
	Customer Information/communication		1		1							1		1		4
	Customer/Supplier/Partner Relationship		1		1					1		1		1	1	6
	Information Flows				1											1
	Product/Service Flows				1								1			2
Capture Value	Costs	1	1		1		1	1	1		1					7
	Financial Aspects				1		1								1	3
	Profit	1			1		1		1	1	1					6
	Partners		1				1			1	1	1			1	6
	Distribution		1								1	1		1		4
	Inputs													1		1
	Organisation					1		1		1				1		4
	Scope of Management					1							1			2
	Governance			1								1				2
	Policies			1												1
	Consequences			1												1
	Value research												1			1
	Value verification												1			1
	(Solution) Delivery									1			1		1	3
	Learning System									1						1
	Stakeholders										1					1

Annex 3 Osterwalder’s and this research’s business model components comparison

Comparison between Osterwalder’s business model components comparison in 2004 and this research.



Annex 4 Business model components matrix II

Business Model Components	Chesbrough (2010)	Osterwalder & Pigneur (2010)	Casadesus-Masanell et al. (2010)	Shafer et al. (2005)	Hedmen & Kalling (2003)	Johnson (2010) / Eyring et al. (2011)	Lindgardt et al. (2009)	Demil & Lacocq (2010)	Itami & Nishino (2010)	Yunus et al. (2010)	Michelini & Fiorentino (2012)	Storbacka (2011)	Yip (2004)	Petrovic et al. (2001)	TOTAL
Value creation: Resources, assets, processes, activities	1	1	1	1	1	1	1	1	1	1	1	1	1	1	14
Value proposition (offering)	1	1		1	1	1	1	1		1	1	1	1	1	12
Customer (Target Market, Scope)	1	1		1	1	1	1	1			1	1	1	1	11
Revenue/Pricing	1	1		1	1	1	1	1		1	1	1		1	11
Suppliers/Partners	1	1		1	1	1		1	1	1	1				9
Costs	1	1		1		1	1	1		1					7
Capabilities/Competencies				1	1			1			1	1	1	1	6
Customer/Supplier/Partner Relationship		1		1					1		1		1	1	6
Profit	1			1		1		1	1	1					6
Distribution		1								1	1		1	1	5
Sub-total	7	8	1	9	6	7	5	8	4	7	8	5	6	6	
Sub-total % of total	78%	89%	25%	50%	67%	78%	83%	89%	50%	88%	73%	50%	60%	75%	
Competitors	1			1	1			1							4
Customer Information/communication		1		1							1		1		4
Organisation					1		1		1				1		4
Strategy	1			1					1						3
Financial Aspects				1		1								1	3
(Solution) Delivery									1			1		1	3
Branding				1		1									2
Differentiation				1									1		2
Mission/Goal of the organisation				1							1				2
Product/Service Flows				1								1			2
Scope of Management					1							1			2
Governance			1								1				2
Information Flows				1											1
Inputs													1		1
Policies			1												1
Consequences			1												1
Value research												1			1
Value verification												1			1
Learning System									1						1
Stakeholders										1					1
Total	9	9	4	18	9	9	6	9	8	8	11	10	10	8	

Annex 5 Interview preparation NGO - experts

Research objective: To expand the knowledge of business model, while at the same time providing a practical tool for practitioners to use, by developing and testing a conceptual NGO business model canvas which can be used both by academics and non-governmental organizations.

Key definitions

Definitions used in the research	
Business model	A business model describes the rationale of how an organization creates, delivers, and captures value.
Partner(s)	The network of cooperative agreements with other people or organizations (including governments) necessary to efficiently offer and distribute the value.
Key activities	The key activities which an organisation needs to perform to create its value proposition.
Key resources	The physical, financial, intellectual or human assets required to make the business model work.
Value proposition	The organisation's mission and its programmes / projects being the organisation's bundle of product and services (that create value for its customers, stakeholders and partners), as well as its brand.
Customer Segments	The different stakeholders (recipients, donors and others) an organisation aims to reach and serve to achieve its mission.
Relationships	Clarifies the type of relationship the organisation has established or wants to establish with each customer segment, partner or others.
Channel	The communication, distribution and sales channels used by the organization to interface with its customer segments and partners.
Revenue	The funding or income streams, this could be donations, merchandises/sales, investments or other income streams available for the organisation to work on its mission/objectives.
Costs	The total costs which the organisation incurred (or will incur) to implement the agreed activities.

Example business model canvas

Key Partners	Key Activities	Value Proposition ○ Mission ○ Programmes / Projects	Relationships	Customer Segments ○ Recipients ○ Donors ○ Others
	Key Resources		Channels	
Costs			Revenue	

Example business model canvas – Apple iPod/iTunes

Key Partners Record companies, Original equipment manufacturer	Key Activities Hardware designs, Marketing	Value Proposition Seamless music experience	Customer Relations Lovemark, Switching costs	Customer Segments Mass market
	Key Resources People, Apple brand, Content & agreements iPod hardware, iTunes software		Channels Retail stores, Apple stores, Apple.com, iTunes stores	
Costs People, Manufacturing, Marketing & Sales			Revenue Large: hardware revenues Some: music revenues	

The business model canvas of NGOs

Interview questions

NGO Business model canvas Masters research 2012/2013	
Name respondent:	Job title respondent:
Name organisation:	Experience of NGO sector:
Interview start time:	
<p>Question: this interview will not be recorded. The replies to the questions will be noted on this sheet and will show on the business model canvas which we will discuss next. As the research paper will be published on the university's website and will be accessible for the general public. Can you and your job title be mentioned in the research paper? Or would you like to remain anonymous?</p> <p>Reply:</p>	
Question 1 – business model canvas NGOs	
a) Do you know of NGO's using a business model canvas or similar tool?	
b) If yes, which NGOs and which tools are they?	
Question 2 – business model canvas and you	
a) Have you worked with a business model canvas before?	
b) If yes, how did it look like?	
c) And when was/is it used?	
Question 3 – missing business model components	
a) In your opinion, are there any components or elements missing in the presented business model canvas?	
Question 4 – redundant business model components	
a) In your opinion, are there any components or elements which should not belong in the business model canvas you have viewed?	
Question 5 – value proposition	
a) Would you agree with the statement that the value proposition is at the heart of an NGO?	
b) In your view, do you think NGO employees would agree with this statement?	
c) In your experience, do NGO employees know the mission of their organisation?	
d) In your estimation, on average how many people know the NGO's mission?	
e) And/or do they know the main objective of the organisation, but not the exact mission?	
f) And how important is the brand for NGO's?	
Question 6 - customer segments	
a) In your experience, which are the major stakeholders with which NGOs in general work to be able to reach its mission?	
i. Donors:	
ii. Recipients:	
iii. Others:	
b) In your view, do NGOs also see donors as one of its customers?	
Question 7 - revenue/income/funding streams	
a) What would in your opinion be the best wording for this business model component: revenue stream, income stream, funding stream or other?	
Question 8 – use of the business model canvas	
a) Do you think that this is a useful tool that NGO's could use?	
b) If yes, what would NGO's be able to use this for?	
c) If not, what would be the reason that it would not be useful?	
Question 9 – business model canvas communication	
a) In your view, how helpful would such a model be to communicate NGO's business model (when making decisions, communication with employees, donors, etc)?	
Question 10 – comments	
a) Do you have any questions or any comments which were not discussed during the interview?	
Interview end time:	

Annex 6 Interview preparation Foundations

1. Research objective and Introduction

Research objective: To expand the knowledge of business models and at the same time provide a practical tool for both for academics and non-governmental organizations through the development and testing of a conceptual business model canvas of NGOs and Foundations.

Business model canvas for corporations and its related definitions

The business model canvas was initially developed to enable corporations to describe their business model. A few years ago the first business model framework was adapted for use by social businesses. I am now trying to alter the business model framework/canvas so that it can also be used for NGOs. In section 1.1 the business model canvas and its related definitions for corporations is presented to give an idea of the business model canvas/framework. To help visualise its application, Apple's iPod/iTunes business model is elaborated in the business model canvas. Section 2 presents the draft conceptual business model framework for Foundations with its related definitions. Section 3 presents the interview questions.

This interview will have questions related to the use of business model canvasses, while at the same time completing xxx's business model in the Foundations conceptual business model canvas.

1.1 Example business model canvas – Apple iPod/iTunes

Key Partners Record companies, Original equipment manufacturer	Key Activities Hardware designs, Marketing	Value Proposition Seamless music experience	Customer Relations Lovemark, Switching costs	Customer Segments Mass market
	Key Resources People, Apple brand, Content & agreements iPod hardware, iTunes software		Channels Retail stores, Apple stores, Apple.com, iTunes stores	
Costs People, Manufacturing, Marketing & Sales			Revenue Large: hardware revenues Some: music revenues	

Key definitions

Definition used in the research	
Business model	A business model describes the rationale of how an organization creates, delivers, and captures value.
Key Partner(s)	The network of suppliers and partners that make the business model work.
Key activities	The most important things a company must do to make its business model work.
Key resources	The most important assets required to make the business model work.
Value propositions	The bundle of products and services that create value for a specific Customer Segment.
Customer Segments	The different groups of people or organizations an enterprise aims to reach and serve.
Customer Relationships	Describes the types of relationships a company establishes with specific Customer Segments.
Channels	Describes how a company communicates with and reaches its Customer Segments to deliver a Value Proposition.
Revenue	Represents the cash a company generates from each Customer Segment.
Costs	The total costs incurred to operate a business model.

2. Conceptual business model canvas and its related definitions – Foundations

Please find presented the conceptual Foundations business model canvas with its related definitions.

Vision:

Key partners	Key activities	Value proposition • Mission • Programmes • Brand	Relationships	Beneficiaries
	Key resources		Programme delivery methods	
Costs			Revenue	

Key definitions	
Business model	A business model describes the rationale of how an organization creates, delivers, and captures value.
Vision	Outlines what the organization wants to be. It can be emotive and is a source of inspiration. For example, a charity working with the poor might have a vision statement which reads "A World without Poverty."
Key partners	The network of cooperative agreements with other people or organizations (including governments) necessary to efficiently offer and distribute the organisation's mission and programmes.
Key activities	The main actions which an organisation needs to perform to create its value proposition.
Key resources	The physical, financial, intellectual or human assets required to make the business model work.
Value proposition	The organisation's mission, its main programmes and brand.
Mission	Defines the fundamental purpose of an organization, succinctly describing why it exists and what it does to achieve its vision. For example, the charity working with the poor can have a mission statement as "providing jobs for the homeless and unemployed".
Relationships	The type of relationship the organisation has established or wants to establish with each key beneficiary or donor segment.
Programme delivery methods	The method which the organisation uses to achieve its mission or programme activities to the beneficiaries.
Beneficiaries	The target group who the organisation principally aims to reach and serve to achieve its vision/mission.
Revenue	The income streams, this could be donations, merchandises/sales, investments or other income streams available for the organisation to work on its value proposition.
Costs	The total expenses which the organisation incurred (or will incur) to implement the agreed activities.

3. Interview questions

Interview questions

Questions

Name organisation:

Name respondent:

Interview start time:

Job title respondent:

Function of the respondent in the organisation (if the job title is not clear):

Pre-question - confidentiality: this interview will not be recorded. The replies to the questions will be noted on this sheet and will show on the business model canvas which we will discuss next. As the research paper will be published on the university's website and will be accessible for the general public can your name and that of your Foundation be mentioned in the research paper? Or do I only mention the Foundation's name and keep your name confidential? Or

should the organisation's name not be mentioned? In the latter case, the organisation will be defined in the thesis as Foundation A.

Question 1 – business model canvas

- a) Does your organisation use a business model canvas?
- b) Have you or your organisation worked with a business model canvas before?
- c) If yes, how did it look like?
- d) And when was/is it used?

Question 2 – vision

- a) What is the vision of your Foundation?

Question 3 – value proposition

- a) Would you agree with the statement that the value proposition is at the heart of the organisation?
- b) What is the mission of your Foundation?
- c) In your estimation, would most people working for the organisation know its mission?
- d) And/or do they know the main objective of the organisation, but not the exact mission?
- e) What are the main programme activities of your Foundation?
- f) And how important is the brand for your organisation?
- g) In general, is the brand important for Foundations? Is it just as important as the brand is for implementing NGOs, less or more?

Question 4 – beneficiaries

- a) Which are the major beneficiaries which your Foundation aims to reach?

Question 5 – method of delivery

- a) Which method(s) of programme delivery does your organisation use to reach its beneficiaries?

Question 6 – relationship

- a) What kind of relationship does the Foundation have (or wants to have) with its beneficiaries?

Question 7 – key activities

- a) What are the key activities which your Foundation needs to perform to be able to create the Foundation's value proposition?

Question 8 – key partners

- a) Who are the key partners that your Foundations have identified?

Question 9 – key resources

- a) What are the key resources, hence the key assets that your Foundation requires to make its business model work?

Question 10 – revenue/income/funding streams

- a) What would be in your opinion the best wording for this business model component: revenue stream, income stream, funding stream or other?
- b) What were the income or funding streams of the organisation in 2012?
- a) Were these the same income or funding streams as previous years?

Question 11 – costs

- a) What are the major cost items which the Foundation incurs to implement its programme activities and achieve its mission?

Question 12 – organisation business model canvas check

- a) Now looking at your organisation's business model canvas based on this interview, does this represent the business model of the Foundation for which you are working?
- b) If not, what is missing?

Question 13 – use of the business model canvas tool

- a) Do you think that this is a useful tool that your organisation could use?
- b) If yes, what would your organisation be able to use this for?
- c) If not, what would be the reason that it would not be useful?

Question 14 – comments

Do you have any questions or any comments which were not discussed during the interview?

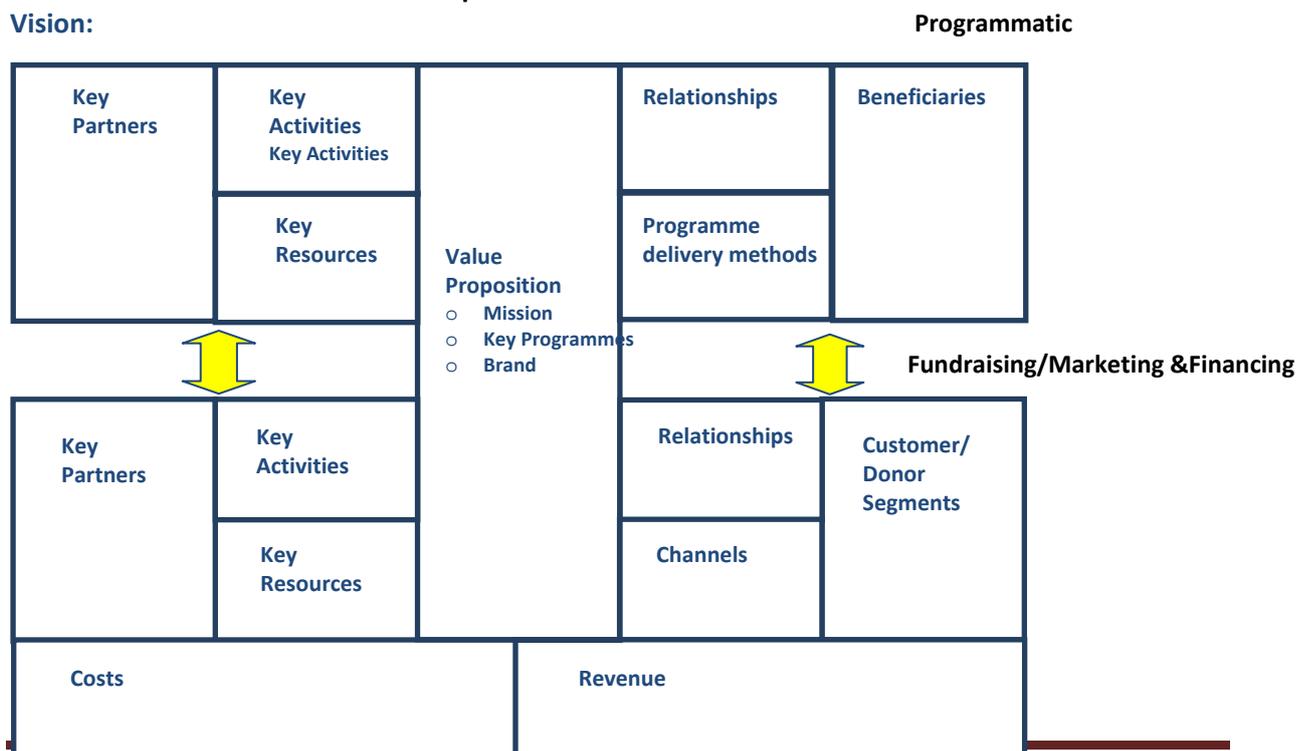
Annex 7 Interview preparation INGO case studies

Research objective: To expand the knowledge of business model, while at the same time providing a practical tool for practitioners to use, by developing and testing a conceptual NGO business model canvas which can be used both by academics and non-governmental organizations.

Key definitions	
Business model	A business model describes the rationale of how an organization creates, delivers, and captures value.
Vision	Outlines what the organization wants to be. It can be emotive and is a source of inspiration. For example, a charity working with the poor might have a vision statement which reads "A World without Poverty."
Key Partners	The network of cooperative agreements with other people or organizations (including governments) necessary to efficiently offer and distribute the organisation's mission and programmes.
Key Activities	The main actions which an organisation needs to perform to create its value proposition.
Key Resources	The physical, financial, intellectual or human assets required to make the business model work.
Value Proposition	The organisation's mission, its main programmes and brand.
Mission	Defines the fundamental purpose of an organization, succinctly describing why it exists and what it does to achieve its vision. For example, the charity working with the poor can have a mission statement as "providing jobs for the homeless and unemployed".
Relationships	The type of relationship the organisation has established or wants to establish with each key beneficiary or donor segment.
Programme delivery methods	The method which the organisation uses to achieve its mission or programme activities to the beneficiaries.
Beneficiaries	The target group who the organisation principally aims to reach and serve to achieve its vision/mission.
Channels	The methods of communication, distribution and sales used by the organization to interface with its customer/donor segments.
Revenue	The income streams, this could be donations, merchandises/sales, investments or other income streams available for the organisation to work on its value proposition.
Customer/Donor Segments	The different group of customer and/or donor segments which the organisation targets for its fundraising activities. In this component customers tend to be more related to the merchandising section of the organisation and donors tend to be related to the fundraising section of the organisation.
Costs	The total expenses which the organisation incurred (or will incur) to implement the agreed activities.

Business model canvas – INGO conceptual model

Vision:



The business model canvas of NGOs

J. Sanderse

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Example business model canvas – Apple iPod/iTunes

Key Partners Record companies, Original equipment manufacturer	Key Activities Hardware designs, Marketing	Value Proposition Seamless music experience	Customer Relations Lovemark, Switching costs	Customer Segments Mass market
	Key Resources People, Apple brand, Content & agreements iPod hardware, iTunes software		Channels Retail stores, Apple stores, Apple.com, iTunes stores	
Costs People, Manufacturing, Marketing & Sales			Revenue Large: hardware revenues Some: music revenues	

Interview questions

Questions

Name organisation:

Name respondent:

Interview start time:

Job title respondent:

Function of the respondent in the organisation (if the job title is not clear):

Question: this interview will not be recorded. The replies to the questions will be noted on this sheet and will show on the business model canvas which we will discuss next. As the research paper will be published on the university's website and will be accessible for the general public can your name and that of your organisation be mentioned in the research paper? Or do you only want the organisation's name mentioned and your name kept confidential? Or does the organisation's name need to stay confidential and hence it then will show in the thesis as INGO A?

Question 1 – Business model canvas

- Does your organisation use a business model canvas?
- Have you or your organisation worked with a business model canvas before?
- If yes, how did or does it look?
- And when was/is it used?

Question 2 – Vision

What is the vision of your organisation?

Question 3 – Value proposition

- Would you agree with the statement that the value proposition is at the heart of the organisation?
- What is the mission of your NGO?
- In your estimation, how many people know the organisation's mission?
- And/or do they know the main objective of the organisation, but not the exact mission?
- What are the main programme activities of your NGO?
- And how important is the NGO's brand for your organisation?

Question 4 – Beneficiaries

Who are the principal beneficiaries which your organisation aims to reach?

Question 5 – Method of delivery

Which method(s) of programme delivery does your organisation use to reach its principal beneficiaries?

Question 6 – Relationship

What kind of relationship does the NGO have or wants to have with its principal beneficiaries?

Question 7 – Key partners

Which are the key partners for programme delivery that your NGO has identified?

Question 8 – Key activities

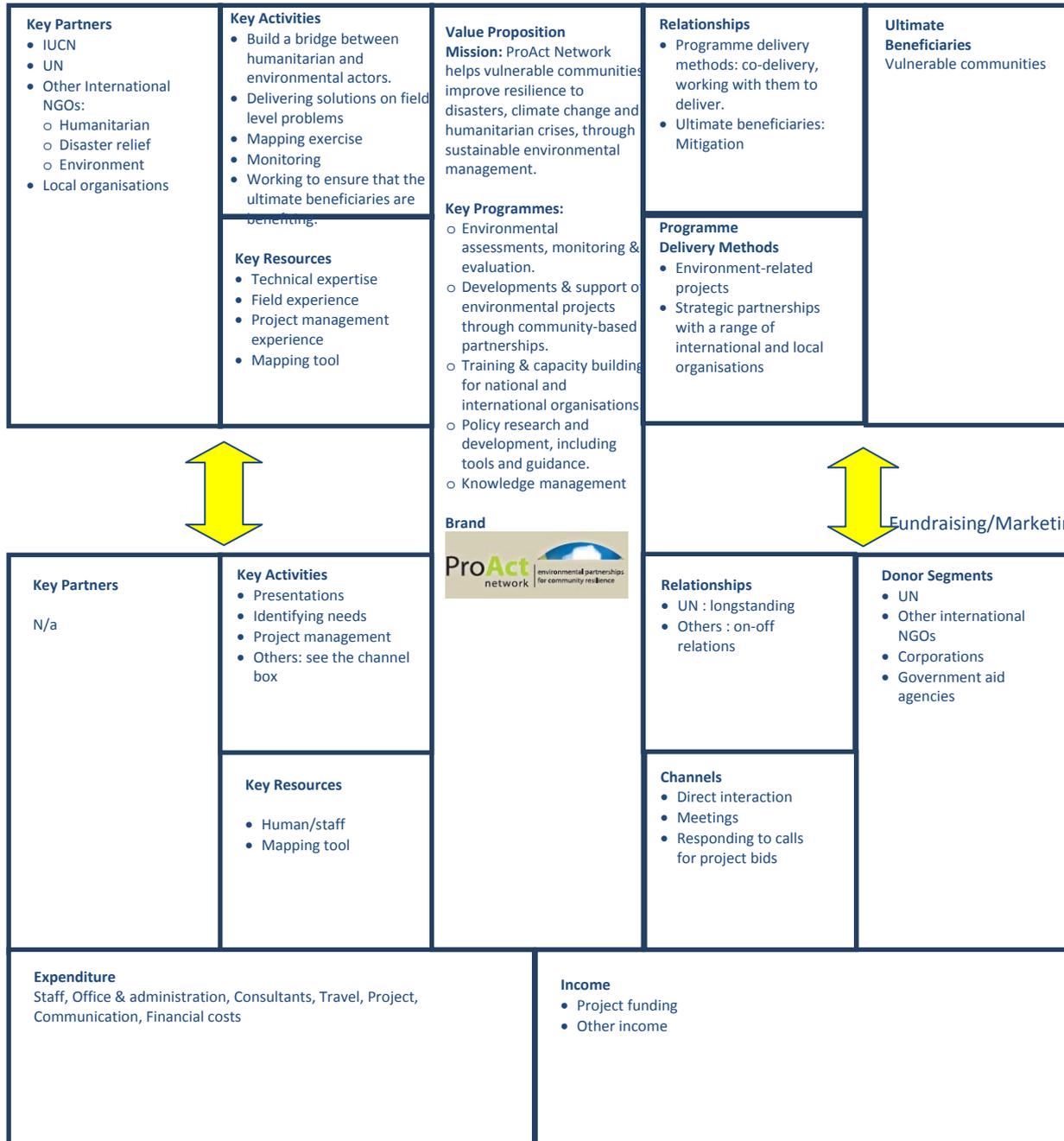
What are the key activities which your NGO needs to perform to be able to create the NGO's value?

Question 9 – Key resources

What are the key resources, hence the key assets that your NGO requires to make its business model work?
Question 10 – Customer/Donor segments Which are the major customer and/or donor segments which your organisation aims to reach for its fundraising activities?
Question 11 – Channel a) Which channels does your organisation use for its communication, distribution and/or selling to your defined customer/donor segments: b) And are there any other segments which are not mentioned here and for which the organisation needs to communicate?
Question 12 – Relationship What kind of relationship does the NGO have or aims to have with its customer and/or donor segments?
Question 13 – Key partners Which are the key partners that your NGO have identified for its marketing/fundraising activities?
Question 14 – Key activities What are the key activities which your organisation needs to perform for its marketing/fundraising activities?
Question 15 – Key resources What are the key resources, hence the key assets that your NGO requires for its major marketing/fundraising activities?
Question 16 – Costs What are the major cost items which your organisation incurs to implement its major programme and marketing/fundraising activities and achieve its mission?
Question 17 – Revenue/income/funding streams a) What in your opinion would be the best wording for this business model component: revenue stream, income stream, funding stream or other? b) What were the major different income or funding streams of the organisation in 2012? c) Were these the same streams as previous years?
Question 18 – Organisation business model canvas check a) Now looking at your organisation’s business model canvas based on this interview, does this represent the business model of the NGO for which you are working? b) If not, what is missing?
Question 19 – Impact If ‘impact’ is defined as ‘the higher-level situation that the project will contribute towards achieving’, do you think that it should be added in the business model canvas? Or is this already addressed in the organisation’s vision or mission? Or would it be more applicable in the organisation’s strategic or operational plan, instead of the high-level business model canvas/framework?
Question 20 – Use of the business model canvas tool a) Do you think that this is a useful tool that your organisation could use? b) If yes, what would your organisation be able to use this for? c) If not, what would be the reason(s) that it would not be useful?
Question 21 – Comments Do you have any questions or any comments which were not discussed during the interview?

Annex 8 ProAct Network business model canvas

Programmatic



Fundraising/Marketing & Financing

