

# VET Entrepreneurship Handbook

Module 1  
Theoretical framework and  
key Entrepreneurship  
competences

Unit 3



# VETENTRE

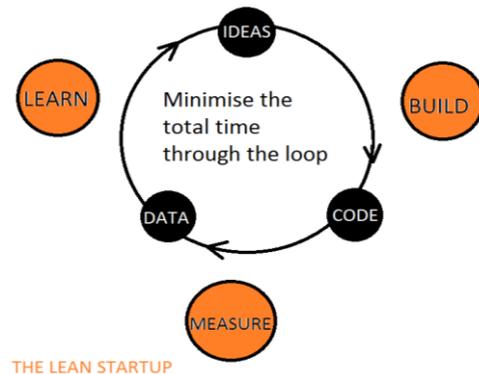
Building VET Trainers Entrepreneurial Competences



## Unit 3. LEAN STARTUP, BUSINESS MODEL CANVAS

### Unit 3.a LEAN STARTUP - Thinking model presentation

*A printed lean start-up thinking model image is shown to participants and methodology explained.*



#### **A Lean startup definition**

A lean start-up is a method for starting a new business or introducing a new product in an existing business. The lean start-up strategy encourages creating products that consumers have already expressed an interest in, ensuring that a market exists before the product is released. The Lean Start-up provides a scientific approach to create a start-up, manage it and get faster the desired product to customers. In general, it is not just about how to create a more successful entrepreneurial business; it is about what can be done to learn from the entrepreneurial businesses to improve virtually what you do.

#### **Principles of lean start-up**

The five principles of Lean Start-ups are simple:

1. understand that many types of entrepreneurs and start-ups are everywhere;
2. explore the idea that entrepreneurship is management;
3. recognise that lean start-ups offer a validated learning, meaning that through experimentation they can understand what works best, extensively through adapting to the needs of the target market by learning exactly what customers want;
4. prototyping and testing results are very important for accounting (take an innovation record rather than an amount of new work created),
5. implement through the process: Build, Measure and Learn which means that if something is working, then they learn from the feedback and make it better in an iterative process.



## Lean start-up Process

The build-measure-learn feedback loop is an important part of the Lean Startup process, which can be described as below:

Phase 1. Begin with an idea of a product you think people want

Phase 2. Creation of a minimal viable product (MVP) to jumpstart the learning process

Phase 3. Fine-tuning the engine based on measurement and learning, using metrics to demonstrate the cause-and-effect relationship. "Five Whys" technique of investigation can be employed by asking simple questions to analyze and solve difficulties along the route.

Phase 4. Decide on whether to move the business model's drivers or not.

The unit of progress for Lean Startups is validated learning. Validated learning is a rigorous way of demonstrating progress when there is severe uncertainty. The growth process can be significantly shortened if you focus on figuring out what to build—what customers want and will pay for. Entrepreneurs can make incremental changes to their plans, inch by inch, minute by minute, not needing to wait months.

## Lean start-up Benefits

Giving a process perspective & eliminating uncertainty: Using a "just do it" approach that avoids all forms of management and makes things easier but not as effective. By giving tools to test a vision on a constant basis, firms may build order rather than chaos using the Lean Startup approach. Lean is about more than just saving money or failing quickly and cheaply. It's all about putting a process and a technique in place to help you produce a product.

Work Smarter, Not Harder: Every startup is a grand experiment that aims to answer questions according to the Lean Startup methodology as "Can this product be built?", "Should this product be built?", "Can we establish a sustainable business around this collection of products and services?". This experiment is a first product, not just a theoretical investigation. If it succeeds, that product will already have established clients by the time it is ready to be broadly marketed and will have solved real-world issues, providing clear specifications for what must be done.



### Discussion Prompts

Use discussion prompts as the first posting to an online discussion. For example, you can use images or videos to start a conversation. As an alternative, you can also ask people to create visuals. You could, for example, encourage them to draw a picture to illustrate a topic, construct a diagram, or take a photograph (depending on the situation).

A mind-map is another form of visual you might ask participants to create. Mind-maps are a great tool for breaking down a topic into sub-topics or looking at the same topic from many perspectives.



## Unit 3.a LEAN STARTUP - Group Activity (Questions)

Participants discuss the definition of the lean start-up thinking model and its benefits

### **Useful questions:**

From students (can suggest them if they don't make any):

- ✓ What does lean start-up mean?
- ✓ Where can it be applied?
- ✓ How can one benefit from this methodology?

From trainers:

- ✓ How do you understand the working model?
- ✓ Could you provide us with an example?

The trainer gives 2 real case examples and suggests further reading (scrum methodology, further examples and lean start up tools).

### **Examples of a lean start-up in action**

To better understand the fundamentals of lean start-up, find below two real case examples of companies – Dropbox and Zappos - that made use of the process to develop products and services and grow their businesses.

#### The Dropbox case

Dropbox is a well-known example of a company that has grown by following lean start-up concepts.

The *file-sharing service* today has over 500 million users worldwide, but it began as a minimum viable product (MVP) in the form of a three-minute video demonstrating what Dropbox could do.

Dropbox was able to test if there was a demand for the product while also capturing an initial audience through a waiting list as a result of the video's response.

But, more crucially, comments on the video gave Dropbox a method to receive high-quality input from target customers, which the team utilized to influence product development to meet their demands.



## The Zappos case



Zappos, one of the earliest online shoe stores which sells a variety of goods, from boots to bags, is another fantastic example of a real lean company.

Nick Swinmurn, the founder of Zappos, was not aware of if customers were ready to buy shoes online, when the company launched in 1999. Swinmurn could go out and buy stock, construct inventory systems, and build a network of distribution centers to test if the business concept would take off. In contrast, Swinmurn wanted to see if people would buy shoes online. And he did it with a rudimentary viable product.

Swinmurn approached local shoe stores, took pictures of their inventory and posted the pictures online on a basic website. If he got an order, he'd go to the stores and buy the shoes.



### Asking Questions

Instead of explaining an idea to your audience from the beginning, guide them to it by asking questions. It makes no difference whether they answer incorrectly because you will explain the concept afterwards.

The important thing is that the emphasis is on understanding rather than simply knowing something. You can also ask your participants' questions after you have covered a topic, as a way of checking if they understood

### Suggested Resources

Watch a short video which summarises [lean start-up](#)

Explore 5 [lean startup examples](#) to get inspiration

Discover [Lean Tools](#) to help apply the lean methodology



## *Unit 3.a LEAN STARTUP – Further Reading*

### **Scrum framework**

One common hands-on system founded on lean thinking methodology and empiricism is Scrum. Lean thinking reduces waste and focuses on the essentials and empiricism certifies that knowledge comes from experimenting and using gained knowledge to make decisions. It is mainly applied with respect to people and self-organization to deal with unpredictability, solve complex problems, and control risk. Scrum enhances collaboration and added value, engaging groups of people who collectively have all the skills and expertise to complete tasks required and share/transfer/gain knowledge as needed.

The pillars on which Scrum is building are transparency, inspection, and adaptation. Those core aspects are included in all phases of inspection and adaptation of a containing event, the Sprint.

### **Scrum consists of the following steps:**

1. Choose a product owner: specialist/professional responsible for the observation, orientation, decision making, action)
2. Develop the team: 3 to 9 people in one cross-functional team with appropriate expertise to implement the project
3. Select a Scrum Master: the person (project manager) who will have the overview of the business (not the same as with the product owner)
4. Create a Product Backlog: a prioritized, dynamic list of all the work need for the product
5. Specify and estimate the product backlog: During Groomings (meetings), the effort needed for each task is determined and guidance is provided for each subsequent sprint
6. Develop a sprint plan: a time span during which a minimally functioning increment of the product is created to be shown to the customer
7. Manage workflow assuring transparency: all actions and processes should be transparent to ensure the goal is reached as soon as possible
8. Arrange daily meetings (or daily scrums): short daily 15 minute - meetings for reporting and highlighting challenges
9. Demo to the customer: arrange an open meeting where the team demonstrates to any interested parties what was done during the sprint
10. Retrospective meeting: meeting of the team to reflect on what can be handed to the customer for feedback
11. Initiation of the next sprint: Customer orientation and flexibility are the keywords. The team and business can react quickly to changes in requirements and quickly adapt the product to them



## Discussions and Group Learning

- When introducing a discussion, make sure to address one of the learning objectives of the course.
- A discussion needs to be structured and focused.
- Start with one question, and then you can have a series of follow up questions to delve deeper into a topic.
- The question needs to be clear and concise. Open questions can lead to interesting discussions.

## Suggested Resources

Watch a 2 min video that simply explains the [Scrum framework](#)

The Scrum Framework is based on [The Scrum Guide](#)

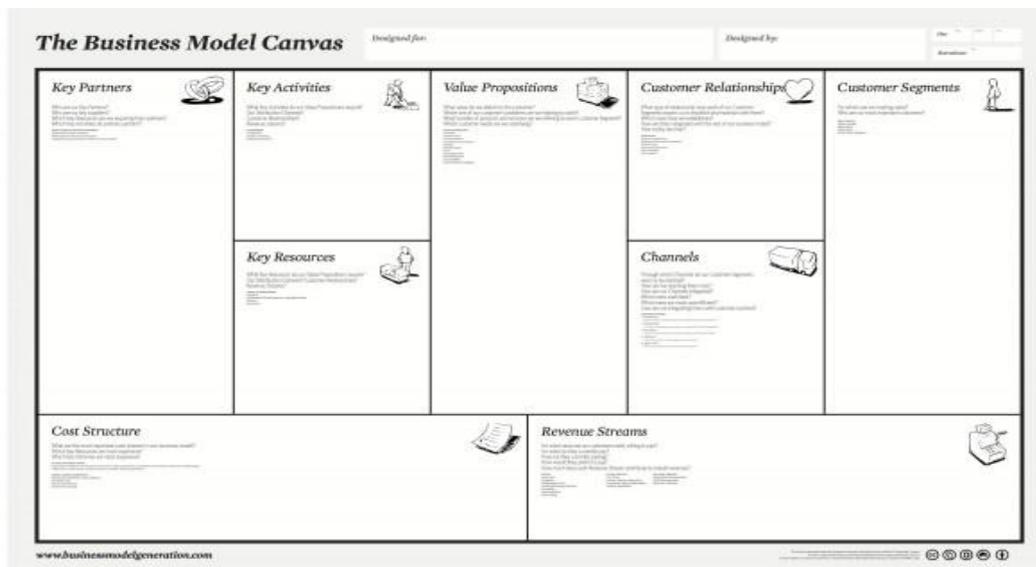
You can download the [Scrum poster](#) - a graphical view of how Scrum is implemented at a team level within an organization

Find a real-world [example](#) of Scrum in Scrum Institute

## Unit 3.b BUSINESS MODEL CANVAS - A real working business scenario

Practice on the business model canvas template. The simple version of Business Model Canvas is given to the participants (or presented on screen for the virtual training).

Open source access material available: <https://neoschronos.com/download/business-model-canvas/docx/>:





*The trainer presents the business model canvas methodology and gives an example of a beauty company and analyses: the key partners, the key activities, the resources, the value propositions, customer relationships, the channels, the revenue streams, the cost structure, and the customer segments.*

## **What is the Business Model Canvas (BMC)?**

A Business Model Canvas is a strategic management and lean start-up template that can be used to create new business models or document the current ones. It provides an organized manner to put out your assumptions and make a graphic representation about your company's value proposition, customer relationships, channels, client segments, cost structures, and revenue streams, in addition to the key resources and key activities of your value chain.

It helps firms compare their activities and align them accordingly, taking into account potential trade-offs and understanding, thus, the wider picture of their overall business framework.

## **Why use the Business Model Canvas?**

Business Model Canvas offers the opportunity to create a common language that allows to easily describe and manipulate business models to generate new strategic alternatives. They are easy to use, allowing stakeholders to collaborate and find a common ground to discuss. You may visualize and comprehend the different relationships between the nine-building elements that make up the tool, by going through the process of listing the different parts of your business on the canvas. You can iterate on your designs fast whether you're utilizing sticky notes on a real-life Business Model Canvas or drafting your business model online. You can use the tool to prototype the first version and then iterate till you've tested it.

## **Building Blocs description**

### *Value Proposition*

Each Value Proposition consists of a carefully chosen set of products and/or services targeted to the needs of a specific Customer Segment. Some Value Propositions are cutting-edge, bringing something new or revolutionary. Others may be comparable to existing market offers, but with added features and benefits.

A good value proposition begins with defining exactly what your company delivers and why it is superior to competitors. Once you've got a few value propositions defined, link each one to a service or product delivery system to determine how you will remain valuable to customers over time. Customers prefer one organization over another according to the Value Proposition.



## *Customer Segments*

The Customer Segments Building Block defines the different groups of people or organizations an enterprise aims to reach and serve. Customers are the heart of any business model.

Targeting a broad audience will prevent your company from focusing on customers who actually require and desire your product or service. Instead, while developing your business model, separate your target audience into two or three distinct buyer personas, each with common needs, common behaviors, demographics, common challenges and the solutions your company will offer, or other attributes. A business model may define one or several large or small Customer Segments. An organization should make a conscious decision about which segments to serve and which segments to ignore. Once this decision is made, a business model can be carefully designed around a strong understanding of specific customer needs.

## *Channels*

The Channels Building Block outlines how a company reach, interacts with, communicates and engage with its Customer Segments and play a vital role in the customer experience. The Channels section is used to specify which tools and platforms you will use to communicate with your consumers. Where do your potential clients hang out, where would they search for similar services? (ex Facebook, LinkedIn, Instagram, Google)

## *Customer Relationships*

The Customer Relationships Building Block describes the different sorts of relationships that a company has with different customer segments. Each one should be defined in terms of the type of relationship that a firm intends to develop from personal to impersonal.

Some motivations that may influence customer relationships are the following:

- Gaining new customers
- Retaining existing customers
- Increasing sales

It is necessary to develop a plan that stimulates interest in your company, generates leads, and is tailored to close sales. How will customers find you? What should they do once they've learned about your brand? Creating a demand generation plan generates a map of the customer's journey as well as a list of the most important motivators.

## *Revenue Streams*

The Revenue Streams Building Block represents the cash a company generates from each Customer Segment (to generate profits, costs must be deducted from revenues.).





An important question to answer is “What is the real value each customer is willing to pay?”, which will further generate one or more Revenue Streams from each Customer Segment. Fixed list prices, bargaining, auctioning, market dependent, volume dependent, or yield management are all possible pricing systems.

There are two sorts of revenue streams that can be used in a business model:

- Transaction revenues from one-time payments by customers
- Recurring income from ongoing payments to deliver a Value Proposition to clients or provide post-purchase customer assistance.

### *Cost Structure*

Upon outlining your plans for making money in the revenue streams model block, what comes next is expenses budgeting. The Cost Structure describes all costs incurred to operate a business model.

What costs do you know you'll have for sure in the first year of business disregarding the development of technology? Creating and delivering value, maintaining Customer Relationships, and generating revenue all generate costs. After determining Key Resources, Key Activities, and Key Partnerships, such costs can be estimated easily. Some are more cost-driven than others, while some companies would choose a value-driven type.

### **Examples of early-stage costs:**

- Incorporation filing
- Website development + domain acquisition
- Software costs (accounting, CRM, Productivity etc)
- Google/ Facebook/ Social Media Ads + Other marketing
- Industry-specific permits
- Coworking/office space
- Wifi/ phones/ hardware (laptops/ computers)

### **Attributes of the Cost Structure:**

- Economies of scale: Cost advantages that a business enjoys as its output expands, for example discounts from bulk buying rates.
- Economies of scope: A business benefits from lower costs as a result of a greater scope of operations. Multiple goods may be supported by the same marketing activities or Distribution Channels, for example.
- Fixed cost: Costs that remain the same regardless of the quantity of goods or services produced. Salaries, rents, and physical production facilities are all examples.
- Variable cost: Costs that change in proportion to the amount of products or services produced, ex conferences.

### *Key Resources*

The Key Resources Building Block describes the most important assets required to offer and deliver your value proposition, reach markets, maintain relationships with Customer Segments, and earn revenues. Different Key Resources are needed depending on the type of



business you are building, for example, you need fabric to make the clothes that you're planning to sell or you need to be approved protocols to offer chemical analyses Key resources can be physical, financial, intellectual, or human and can be either owned or leased by the company or offered by key partners.

### *Key Activities*

The most important actions a company must take to operate successfully are referred as Key Activities Building Block. They are required to create and offer a Value Proposition, reach markets, maintain Customer Relationships, and earn revenues. To determine key business activities, it is important by first to recognise the core aspect of your business's offering: does it include production, problem solving or platform/software?

Key resources can be easily mixed up with key activities because in some cases they seem similar. For example, is a website a key resource or a key activity? The website itself is a resource, but the maintenance of the website is a key activity.

### *Partnerships*

In the Key Partnerships Building Block the network of suppliers and partners that make the business model work is described. In order to find all of the key partnerships you'll need, you will need to start running through your key activities. Will you need suppliers, strategic alliances or advertising partners? Who (or which companies) do you need help from in order to get those activities done? Some of these partnerships are more like service agreements-like your internet and phone provider - and some are much more partner-oriented. Partnerships can even be formed between competitors or joint ventures can be developed.



### ***Make room for Innovation***

*When developing a business model, your initial plan is based on many assumptions until you begin to welcome paying customers to discover their ongoing needs. For this reason, leave room for new ideas, reviewing regularly your original plan.*



## Business Model examples

**Example 1.** A business model canvas of “Ecologic Sweet Cosmetics:

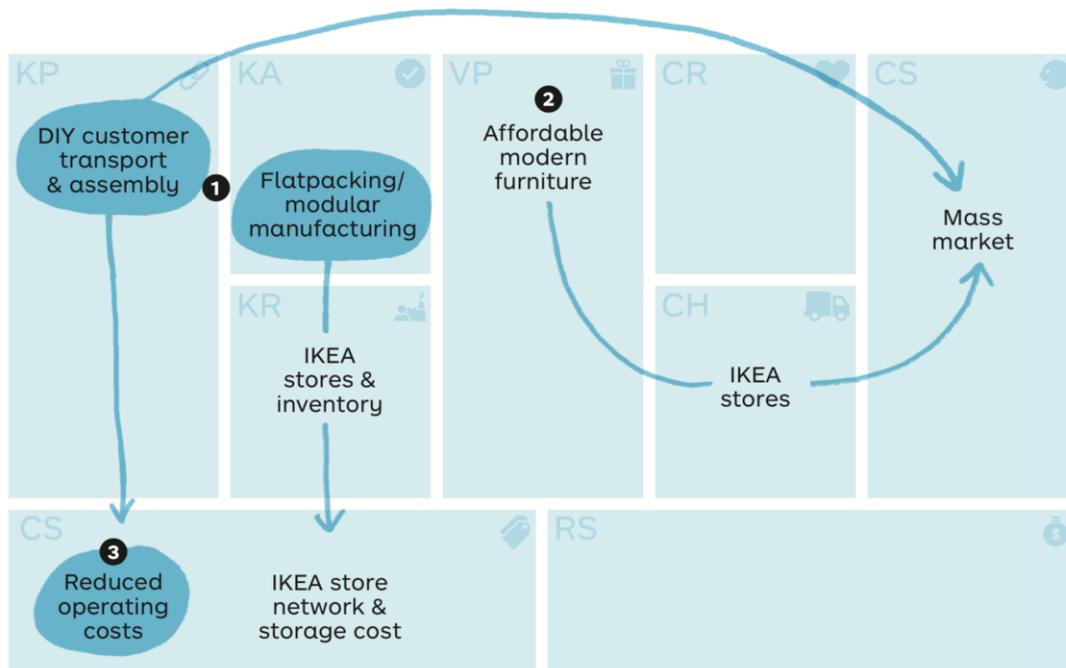
<b>Key Partners</b> - Laboratory for mass production. - Raw materials suppliers. - Containers suppliers. - BIO as organization.	<b>Key Activities</b> - Creams production. - Professional advice for special skin care. - Workshops.	<b>Value Position</b> - Products 100% natural and 98% ecologic materials. - Personalized service for different skin needs. - Workshops to show how to create your own products.	<b>Customer Relationship</b> - Build a Community concerned about the environment, and usage of natural and biological sustainable products. - Take care of people with offering safe products.	<b>Customer Segments</b> - Women between 40-60. - Medium-high purchasing power.
<b>Key Resources</b> - Innovative and effective formulas for cosmetics. - E-Commerce. - Physical Store in Buitrago de Lozoya with even a room for training sessions. - Events organization or participation.			<b>Channels</b> - Website for online selling. - Physical store for Face-to-face selling. - Social Media for promotion: Facebook, Twitter and Instagram. - Trade Fairs for promotion and selling.	
<b>Cost Structure</b> - Production - Logistics - Finance & Legal Agency		<b>Revenue Streams</b> - Marketing - Staff - Products sales - Workshops fee		

Source: <https://soniaquinterolima.com/easy-business-plan-canvas/>

## Example 2. Real case [IKEA's Business Model](#)

IKEA, the popular furniture company, relies on customers as their free workforce: thousands of IKEA customers assemble their bookshelves, tables, and other furniture at home after purchasing boxes and stores.

People used to expect furniture producers to undertake the assembling task, thus this was unpredictable before IKEA made it real. Customers are prepared to put in the effort because IKEA's business model of boxed furniture provides a bigger selection, faster delivery, and all at a lower cost.



Source: <https://www.strategyzer.com/business-model-examples/ikea-business-model>

## Unit 3.b BUSINESS MODEL CANVAS – Practice on business model Canvas Template

*Practice on the business model canvas template with a real working business.*

- 1. Participants are equally divided in three teams (or more depending on the number of the participants – 5 - 7 members each group).*
- 2. Each team decides what company type they would like to create (eg. cosmetics company, ice-cream shop etc.) and they use the business model canvas template to analyse the different parts of their company.*
- 3. The teams work together for 15 minutes and they present their business model to the others for 3 minutes.*
- 4. The trainer gives each team a ranking from a scale 1-10 and a reflection group follows giving feedback on what worked well and what they would have thought twice if they had to do the exercise again.*

*Reflect on possible ways that learners are involved in the design of a business model canvas.*



## When to use case studies

Case studies are useful for presenting participants scenarios that can be used for discussions, debates, problem-solving or role-play.

The beauty of case studies is that they give participants real-life examples, which are relatable and bring a topic to life, making it relevant.

## Suggested Resources

Watch a short video outlining the [9 steps to creating business model](#)

You can download [here](#) the official template for business model canvas for free

Discover more ways to [Apply the Business Model Canvas](#)

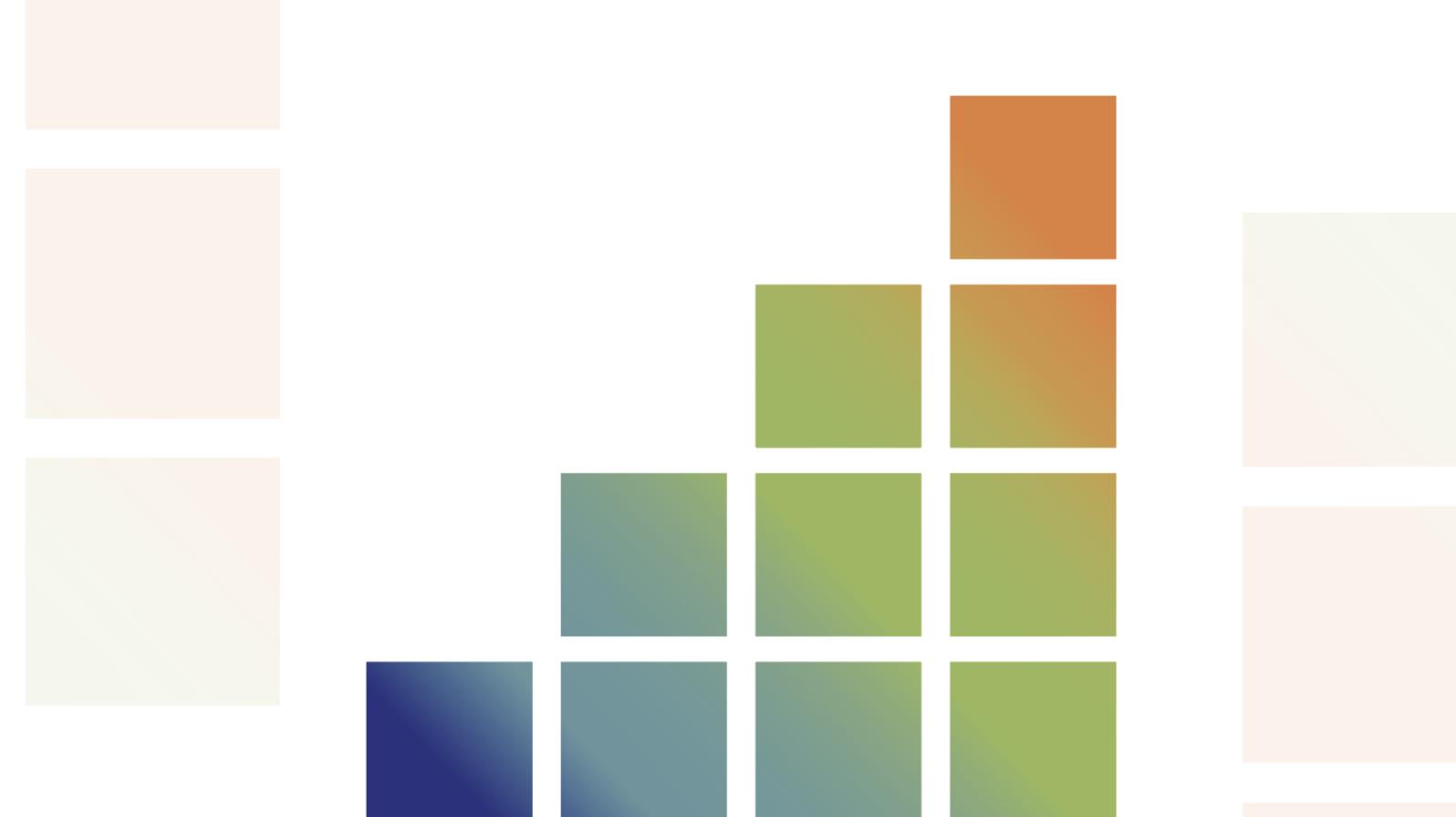
To work online with business model canvas use [canvanizer](#)

Read more examples of [how Facebook, IKEA, WhatsApp, and Uber's business model make billions.](#)



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