

Chapter 20

Service Logic Business Model Canvas for Lean Development of SMEs and Start-Ups

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ABSTRACT

Business models have made a breakthrough both in the academic and in business community in the area business development. Old fashioned business plans are in many cases considered as a waste of time and resources. Particularly start-ups and SMEs have a great potential to take advantage of business model approach which allows lean and agile product and service development. However, the existing widely used business model frameworks are lacking the new service logic orientation. They mostly see the world in terms of goods logic. Since all sizes of businesses in all industries are increasingly adopting the service logic or service-dominant logic, there was a clear need to develop a new service logic based business model framework. Based on an extensive empirical study with both practitioners and academics, a new Service Logic Business Model Canvas was developed to fill this need. This chapter explains the theoretical foundations of this framework in SME and start-up context, as well as the framework itself and its application.

INTRODUCTION

*Rather than engaging in months of planning and research, entrepreneurs accept that all they have on day one is a series of untested hypotheses—basically, good guesses. So instead of writing an intricate business plan, founders summarize their hypotheses in a framework called a business model canvas. Essentially, this is a diagram of how a company creates value for itself and its customers. (Steve Blank, 2013, *Why the Lean Start-Up Changes Everything*, Harvard Business Review, May 2013, p. 67)*

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Compared to writing a business plan, which can take several weeks or months, you can outline multiple business models on a canvas in one afternoon... The canvas forces you to pick your words carefully and get to the point. This is a great practice for distilling the essence of your product...A single page business model is much easier to share with others, which means it will ready by more people and probably will be more frequently updated. (Ash Maurya (2012, pp. 5-6), Running Lean. Create from Pan A to a Plan That Works, Series Editor Eric Ries, O'Reilly, USA)

Whether you are a startup or a big business trying to revitalize growth or save your business or protect against the future; whether you are high-tech, low-tech, or somewhere in between; whether you are business-to-business, business-to-consumer, or business-to-business-to-consumer, you are at the mercy of the value-creation economy. To succeed, grow, thrive, you must be focused on creating real value for known customers. You must be fast, agile, quick thinking, and quick acting. (Cooper, Brant & Vlaskovits, Patrick. 2013. The lean entrepreneur. How visionaries create products, in-novate with new ventures, and disruptive markets. New Jersey: John Wiley & Sons, Inc., p. 23)

SMEs and start-ups have traditionally sacrificed their time and scarce resources for writing business plans, which have in many cases turned out to be totally useless. Business models and lean business development has turns out to be much more efficient and effective approach, particularly for SMEs and start-ups (Ries, 2011, Blank, 2013). Consequently, companies have shifted from business plans to business models when developing their business. A similar strong shift has taken place in business logics. All sizes of companies in all industries are increasingly abandoning the old fashioned goods logic, and instead adopting the service logic (Grönroos, 2006; Heinonen et al., 2010) or service-dominant logic (Vargo & Lusch, 2004). Still, the existing widely used business model frameworks, such as the Osterwalder and Pigneur's (2010) business models canvas, are lacking the new service logic orientation. They mostly see the world in terms of goods logic. Thus, there was a clear need to develop a new service logic based business model framework. The purpose of this chapter is to increase the understanding of using Service Logic Business Model Canvas for lean development of SMEs and start-ups. Based on an extensive 18-months empirical study involving both practitioners and academics, a new Service Logic Business Model Canvas was developed. This new framework is usable particularly in the SME and start-up context where both resources and time are often much more scarce than with large companies.

This chapter has the following structure. First, it explains the general factors affecting business development of SMEs and start-ups. It discusses the competitive advantage of SMEs, what affects the growth of SMEs, as well as challenges of SME development. Then, it describes the evolution of business logics. It explains the principle ideas of traditional value chain, resource based view, and value network approach. Most importantly, it discusses the most recent business logic which has become dramatically popular both among academics and practitioners, namely service logic. Next, it discusses the principals of lean business development of SMEs and start-ups. After that, it explains the empirical method used in the development of the Service Logic Business Model Canvas. Then, it describes the Service Logic Business Model Canvas and its application process. Then, it draws the final conclusions.

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