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# Module 1: Managing green micro-business

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## Strategic business planning in micro-enterprises

As a green micro-entrepreneur, you need to develop and manage your business strategically to be able to perform well and to build a sustainable and competitive business. One key factor of a successful green business is the competitiveness of the business. You need to identify and create something desirable and valuable to customers, preferably more desirable and valuable than what the competitors offer. This means that you need to define the competitive advantage of your business. This is vital for a sustainable and successful long-term performance.

A competitive advantage is difficult to reach only with products and services, but with a good business model it is possible. A strategic business planning includes developing all processes of the business and especially those that are most relevant to the enterprise. A competitive advantage is often described as competitiveness plus positive difference from the customer's point of view. In green micro-businesses, the positive difference can be green and sustainable values and offers.

**Competitive advantage = competitiveness + positive difference from the customer's point of view**

## Core elements of green micro-business

Green micro-business is a value-driven business. You aim at a sustainable business with your personal, ethical values. The idea and the aims of the business are aligned with your values as a green micro-entrepreneur. Many of the green entrepreneurs can be featured as lifestyle entrepreneurs, whose main purpose is to seek freedom and improve the quality of one's own life and well-being. Beyond this, you have to satisfy the market needs and be profitable.

Green entrepreneurship and green business is a sustainable and responsible business. Safe, local and natural resources are the main components of products and services. The aim of the business is to provide well-being for customers. However, you often need to redesign or create new products and services, since knowledge and applications of sustainability are constantly increasing. Thus, the need for continuous learning about sustainability is a must.

To be trustworthy is essential for the business success. You need to communicate clearly and reliably about the sustainability of your business. Distrust and suspicions of greenwashing have become an ever-increasing problem for green businesses. Being credible to the outside world is very important if you want to succeed as a green entrepreneur. Being trustworthy is related to your actions. In general, green enterprises are recommended to

'walk the talk' and do what they say they do. To be able to communicate in a trustworthy way, you need to have good communication, preferably giving a proof of your sustainability.

Finally, digital tools are essential in the market nowadays, and more and more information is available in a digital form. The development of common digital platforms and systems has been fast. This, in turn, has created new conditions for products, services and behaviours that affect us as individuals, enterprises and society at large. As an entrepreneur, you need to be where your customers are, and there is a big chance that they are online. Digital tools can also help you to systematize the business, streamline suppliers and other business contacts, as well as increase sustainability and quality. The possibilities of digital tools are continuously increasing.

## **Sustainability and Sustainable Development Goals (SDGs)**

Sustainability can be understood in several ways. Therefore, in this handbook we have chosen to combine the concept of sustainability with the contents of **the United Nation's (UN) Sustainable Development Goals (the SDGs)**. The SDGs is a framework for 17 goals and 169 targets to tackle the world's social, economic and environmental challenges in the lead-up to 2030. The goals are based on the work of the UN and are adopted by all UN Member States. Governments are responsible for delivering the SDGs, but the success relies on action and collaboration of everyone.

Enterprises are vital partners in achieving the goals, for example, by acting as a driver of innovation. The SDGs provide enterprises with a well-known framework to contribute to sustainability, and a common language to communicate about their activities. Businesses both contribute to and benefit from the SDGs.

Enterprises from different industries integrate and apply SDGs in a business context, and acknowledging and reporting of the SDGs is popular, especially in the world's largest enterprises. In addition to the SDGs, large enterprises usually commit to the international standards, environmental programmes and quality labels to achieve sustainability. These commitments are supposed to exceed the requirements of laws and regulations, and are considered as corporate responsibility.

Micro-enterprises should choose a framework for sustainability that is common and easy to understand and easy to apply. This handbook recommends the SDGs as a way of understanding sustainability. Micro-enterprises cannot approach the goals in the same way as large ones, but regardless of size or industry, all can contribute to and benefit from them. The steps to apply the SDGs are: 1) Understanding the SDGs 2) defining priorities 3) setting goals 4) integrating sustainability goals within the business and 5) reporting and communicating (SDG Compass).

You can approach the goals differently: select and prioritize those SDGs that are closely linked with your business and where they have the biggest impact on. The SDGs also allow you to capitalize benefits, for example, by identifying future business opportunities and creating successful business models.



Figure 1. Sustainable Development Goals of United Nations

## Business planning of green micro entrepreneurs

There is a distinction between an existing business and planning a totally new business. In the existing businesses, forecasting and planning are possible, because the business and the business environment are familiar. On the contrary, when creating a new business, the focus is on the search for new business models that are feasible and viable. This relies on exploring different alternatives, experiments, learning and iterations. Many enterprises work on products with no market need, so a strong focus must be in creating desirable offerings with a market demand. To start a new business, a business idea is needed, alongside with answers to the enterprise's objectives, mission and vision.

A **mission statement** defines why the enterprise exists. That is its reason for being. A **vision statement** is a road map, indicating what the enterprise wants to become, by setting a defined direction for the enterprise. Being a green entrepreneur, sustainable challenges can become green business opportunities.

Understanding the business environment is vital for you, since political, economic, social, technological, environmental and legal aspects affect the business. You must monitor these changes to foresee opportunities and avoid threats. Sudden changes in these aspects are possible. For example, there can be changes in legislation, which in turn demand changes in your products or production processes, and require costly investments or renewing the products. Another example could be a change in the political or social attitude towards a certain type of nature-based services, which affects your business.

## Business model canvas

The **business model canvas** in this handbook connects the key aspects of the green micro-business: customers and partners, value proposition, key activities and resources, customer relationships and channels, cost structure and revenue streams with two additional blocks: mission and impact plus measurement. The business model canvas is a widely used tool for designing new business models, as well as for renewing the existing ones.

1. The **mission of the green micro-business** defines why the enterprise exists.
2. **Customer segments** are the different groups of people or organizations the business aims to serve. A green micro-business aims at a market niche, a well-defined part of the market.
3. **Value proposition** is the bundle of products and services that creates value for the customers and stakeholders, including also environmental and social values.
4. **Channels** are all means of transparent communication and distribution to reach the consumers and stakeholders to deliver value proposition for them. Communication channels include also digital tools to reach the customer. The distribution and sales channels are links to the customers, and they can be direct or indirect with intermediaries.
5. **Customer relationships** are the types of customer relationships the enterprise establishes with customers and stakeholders, for example, personal assistance, self-service, automatic service, community-based or co-creation types of relationships.
6. **Revenue streams** represent the cash, the income, which is generated from customers in many different ways. Maximizing the revenue streams and minimizing costs increase profits.
7. **Key activities** are the procedures, tasks and operations which make the business model work and offer value. The challenge in green micro-business is to maximize value and minimize negative environmental and social impacts of the business.
8. **Key resources** are necessary resources to make the business model work, for example human, physical, intellectual and financial resources. The resources allow the enterprise to create and offer value proposition and reach markets.
9. **Key stakeholders** are the network that makes the business model, including the entrepreneur and his/her team, business partners, customers, suppliers, investors, NGO's, local community, all who contribute to the objectives of the enterprise.
10. **Cost structure** means all costs, fixed and variable, to operate a business model. The cost structure is directly related to the key activities and resources.
11. **Impact & measurement.** Assessing the impacts of the business model need effective indicators, easy to measure. These are related to the mission and objectives.

The canvas in this handbook is based on the original business model canvas created by Alex Osterwalder and Yves Pigneur (2015) and on the canvas for social enterprises created by Annisa R. Qastharin (2015), as well as on the green business canvas provided by Farreny et al. (2015).

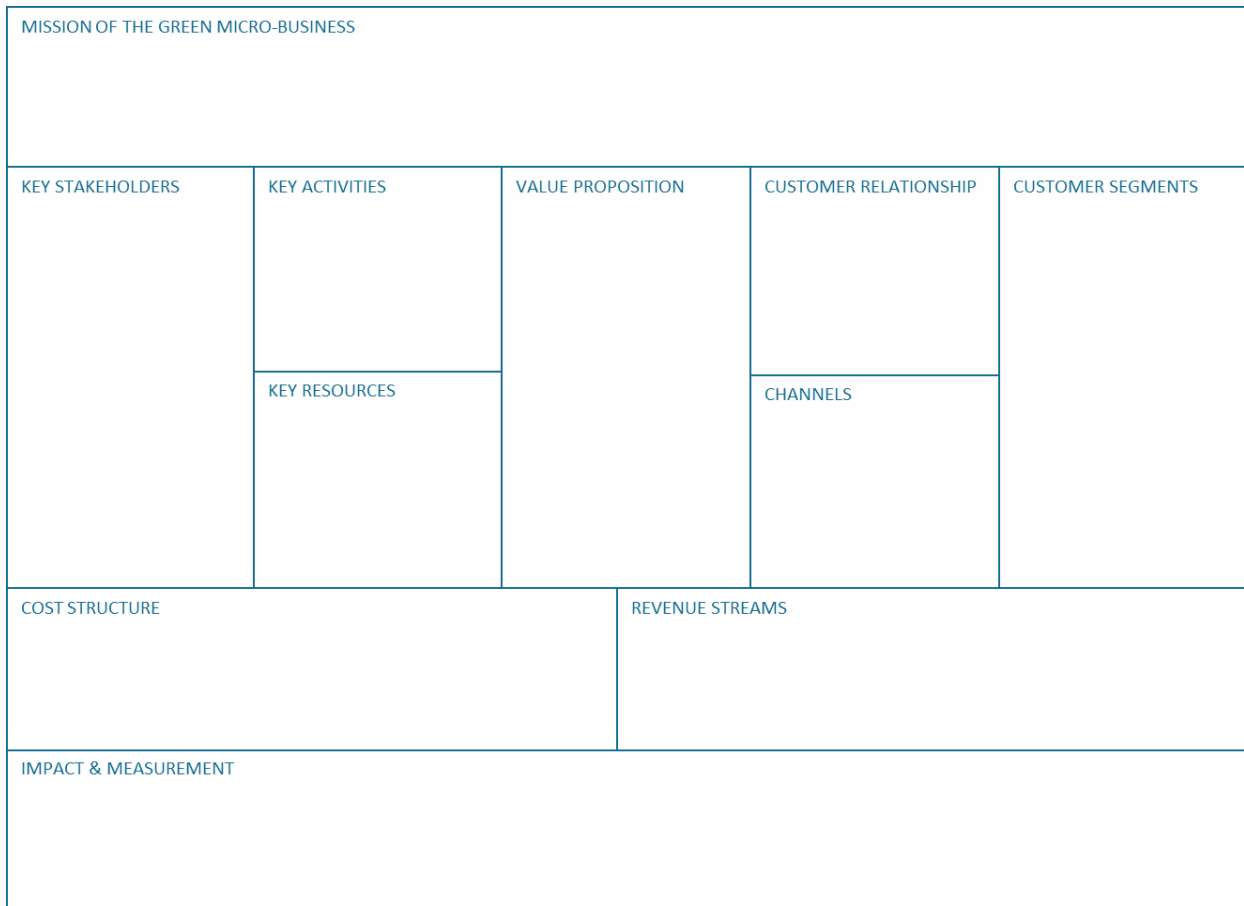


Figure 2. Business model canvas

## Assignment



### Write first basic information of your business

- Name of enterprise, contact person and contact details
- Summary of the business idea (what, for whom, how, why)
- Values, objectives and mission of your green micro-business

### Fill in the canvas

The idea in this handbook is that, in this first module, you describe your business model in the canvas only roughly. Then, **you will refine and iterate it in each following module**. The first version of your canvas is a quick draft to build a basic understanding of how your business works.

1. First, pay attention to the part of your business which **is visible** for the customers and stakeholders. Define your main customers' segments, value proposition, communication and distribution channels. Define and characterize different types of relationships and revenue streams.
2. Then, pay attention to the part of your business which **is not visible** for the customers and stakeholders. Define your key resources and activities, identify and prioritize stakeholders and their contribution to the business model. Describe the cost structure for operating the business model.
3. Define how you measure the impact of your business model. This is related to the mission and the objectives. Measuring the impact is a process of deciding what to measure, selecting relevant indicators, collecting information and using the information for improvement and communication. Keep this simple.
4. Define the competitive advantage of your business. Refine the canvas.
5. Finally, based on all these items, identify the main business development needs for your business.