

BRUNEL HIVE REVIEW

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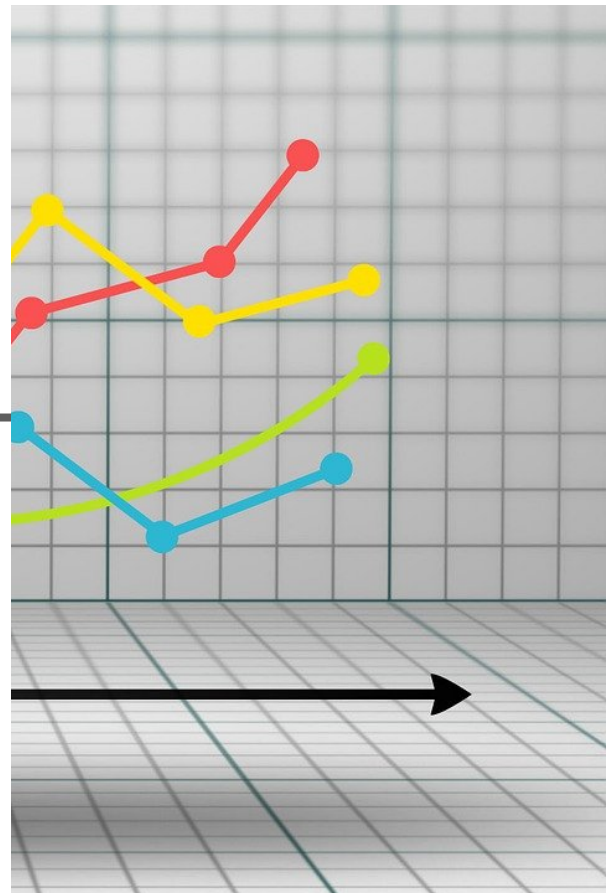
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Farah Al Taji



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Very Social Enterprise



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Economy for SMEs





SOCIAL BUSINESS MODEL CANVAS

Farah Al Taji

An Enterprise driven by social needs and whose entrepreneurial activities create social value and achieve a social impact.

SOCIAL VALUE

VS

ECONOMIC VALUE

What does social enterprise mean?

A social enterprise is a type of business with specific social objectives. The entrepreneurs are driven by social needs, and run entrepreneurial activities to create a social value and achieve a social impact. Clearly, the enterprise activities focuses on the creation of social value, and financial profits are reinvested to maximise social impact. This, of course, involves the generation of a new idea (product, service, or model) that provides a novel solution to a societal problem. This solution is more effective, efficient, and sustainable than existing solutions.

Social Entrepreneur



But, what differentiates social entrepreneurship from any other forms of entrepreneurship?

The ideology; social change Vs business and generate money only. Resource mobilisation; It's more difficult to mobilise resources for social entrepreneurship than business entrepreneurship because of the social dimension. Performance measurement; measure two main values, social and financial Vs measures financial one. Stakeholder environment; a need to balance the stakes for each one through a "strong ideological framework" Vs its more about financial or customer dimensions.

What is the Social Business Model Canvas?

A tool helps to simplify the social enterprise model. A tool helps to make understanding and improving the enterprise easy for social entrepreneurs. A tool helps to structure ideas and activities and evaluate outcomes and impact.

How the Social Business Model Canvas is different than the Business Model Canvas?

The social value proposition is the social value created by the enterprise to meet a specific societal need. *Beneficiaries* are people who benefit directly or indirectly by the social value created by the enterprise. *Impact measurement* is how

you control and measure the social value created. *Surplus* is where the enterprise is Reinvesting the Financial Profit. ■

Social Business Model Canvas

Key Resources	Key Activities	Type of Intervention	Segments	Value Proposition
<p>What resources will you need to run your activities? People, finance, access?</p> <p>Partners + Key Stakeholders</p>	<p>What programme and non-programme activities will your organisation be carrying out?</p>	<p>What is the format of your intervention? Is it a workshop? A service? A product?</p> <p>Channels</p>	<p>Beneficiary</p> <p>Customer</p>	<p>Social Value Proposition</p> <p>Impact Measures</p>
<p>Who are the essential groups you will need to involve to deliver your programme? Do you need special access or permissions?</p> <p>Cost Structure</p> <p>What are your biggest expenditure areas? How do they change as you scale up?</p>		<p>How are you reaching your beneficiaries</p> <p>Surplus</p> <p>Where do you plan to invest your profits?</p>	<p>Who are the people or organisations who will pay to address this issue?</p> <p>Revenue</p> <p>Break down your revenue sources by %</p>	<p>How will you show that you are creating social impact?</p> <p>Customer Value Proposition</p> <p>What do your customers want to get out of this initiative?</p>

VRIO ANALYSIS

The VRIO framework is originally conceived in 1991 by James Barney, Professor in Strategic Management at University of Utah. The framework distinguished among several different types of firm performance(i.e., competitive disadvantage, parity) based on resources and capabilities. Eventually, it has come to be known as the VRIO analysis, a tool to evaluate the internal resources and capabilities of a firm.

The VRIO framework is a strategic tool to analyse firm's internal resources and capabilities. It allows to find out if they can be a source of sustained competitive advantage. The term VRIO is an acronym for value, rarity, imitability and organisation.

Before using the VRIO, however, it is important to understand what is meant by "firm resources". In his paper, Barney defines firm resources as "all assets, capabilities, organisational processes, information, knowledge, etc. controlled by a firm that enables them to conceive and implement strategies that improve its efficiency and effectiveness". Firm resources can be categorised into human, organisational, and physical capital. Typical examples include industry knowledge, experience, training, patents, brands, plants, and machineries.

For a company to be able to transform its resources into a sustained competitive

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advantage, they must meet the four requirements of the VRIO Framework:

VALUE - RARE - INIMITABLE - ORGANISATION

A firm can use the framework by asking four simple questions about its resources and capabilities. The first question to ask is "Is this resource valuable?" A resource is considered valuable if it helps the business to increase effectiveness or improve efficiency. The second question to ask is "How easy is it for competitors to obtain this resource?" Rare resources can give the firm a significant edge over competitors. The third question to ask is "will it be expensive or possible for others to imitate or replicate?" Even though a valuable and rare resource allow a firm to achieve some advantage, it doesn't necessarily lead to a sustained competitive advantage. The final question is "Can we exploit this advantage?"

Merely having a resource isn't enough. To achieve a sustained competitive advantage, our firm has to have the processes to make it happen. If not, the resource becomes an unused competitive advantage.

Remember, resources changes over time. Staff turn over and technology obsolescence influence the value of resources. Analogously, competitors are also keen to achieve the same competitive advantages so they'll be keen to replicate the resources, which means that they will no longer be rare. Hence, VRIO analysis is best used as an ongoing evaluation of the firm's resources facilitating the identification and development of sources of competitive advantage. ■

This article is based on the extensive work of Professor Jay Barney on firm resource and competitive advantage. For reference of his work: Jay B. Barney (1991) "Firm Resources and Sustained Competitive Advantage," *Journal of Management*, 17(1): 99-120.

V VALUABLE	R RARE	I INIMITABLE	O ORGANISATION	
NO				COMPETITIVE DISADVANTAGE
YES	NO			COMPETITIVE PARITY
YES	YES	NO		TEMPORARY COMPETITIVE ADVANTAGE
YES	YES	YES	NO	UNUSED COMPETITIVE ADVANTAGE
YES	YES	YES	YES	SUSTAINABLE COMPETITIVE ADVANTAGE

RISING INTEREST RATES

The past months saw a rise in some interest rates with others most likely follow in the near future. Aiming to limit inflation, institutions like the Federal Reserve and the Bank of England have taken actions that started pushing short-term interest rates up. What does this mean for businesses? It depends. Overall, it is not a good news. However, the alternative, a higher inflation, would certainly be not good.

Interest rates tell us how high is the cost of borrowing money

However, what are interest rates? In essence, an interest rate is the cost of money. Interest rates tell us how high is the cost of borrowing money, or viceversa, how high the reward is for lending.

So, if your business borrows money, the interest rate is the amount the business has to pay for borrowing money, shown as a percentage of the total amount of the loan. The higher the percentage, the more the business has to pay back. varies, but it's mostly not good. If you business has some cash saved in the bank account or invested, the rate tells how much money will be paid back to the business. The higher the rates, the more will be paid into the business's account.

It is important for business owners to be informed on whether rates rise or fall because even small changes in interest rates can have great impacts on the economy and on individual businesses.

So, why are there so many different interest rates?

Certainly, we have all seen different interest rates in the news or in bank communications. So many different interest rates can be very confusing. So, why are there so many different interest rates? Interest rates changes depending on factors such as size, length, purpose of the loan, and of course, actors involved. This is why we have different rates for personal loans, house mortgages, immediate cash, credit cards, and interbank exchanges.

For business loans, one of the major factors to be considered is the risk of the loan not being paid back. Therefore, the greater the bank thinks that risk is, the higher the rate will be.

Recently, many factors including the global economic recovery and central banks policies are pushing up interest rates. So, what do higher interest rates mean for small businesses?

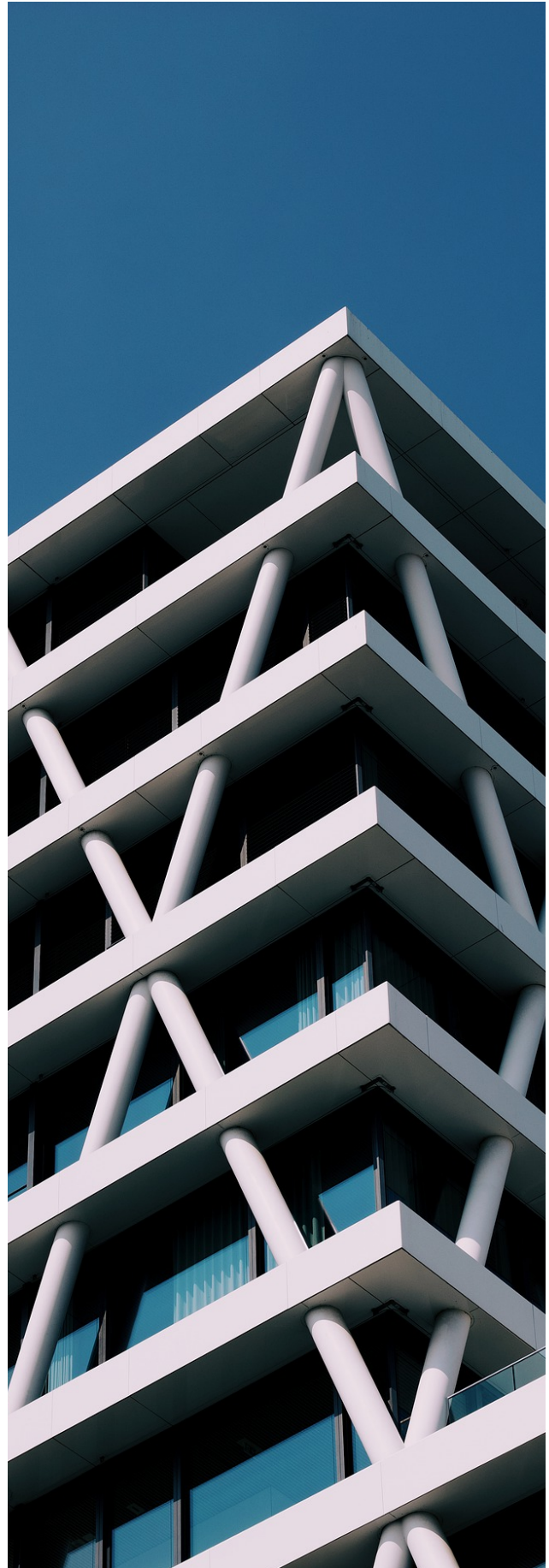
What do higher interest rates mean for small businesses?

If we consider the revenue side, businesses sitting on some extra cash will earn a bit more interest, although this will not significantly impact most firms. Most importantly, businesses that offer interest-sensitive products and services will face a decrease in the demand. For example, in the real estates, we will likely see an impact on house pricing and a decrease in mortgage refinancing. This will also influence the demand for commercial and non-residential buildings. An analogous dynamic will affect the demand for cars, machinery and other capital equipments. In turn, if we consider the expense side, businesses will experience higher borrowing costs. The impact for businesses is two fold as some higher cost will be faced immediately and other will occur over time.

the nature of the effect on businesses will likely depends

To conclude, while an increase in the interest rate is generally not good, the nature of the effect on businesses will likely depends on many factors such as industry, local circumstances, and cash flow. Hence, business leaders should first explore the specific impact of higher interest rates on their businesses. An effective business strategy in present times would help firm survival in a possible future economic downturn. ■

To know more about how interest rates matter for your business you can visit the [Bank Of England](#) and the [European Central Bank](#), and the [Federal Reserve](#) website.







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With Engaged Scholarship at the core of our long-term strategy, our key objective is to be a leader in knowledge exchange in London. Brunel Hive has had an exciting year, and we look forward to working with both small and large businesses to explore new markets, technologies and opportunities globally. Engage with us. A world of opportunity awaits.



BRUNEL HIVE REVIEW

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We welcome research shorts, case studies, interviews, information and opinion pieces.

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