GSBI SOCIAL BUSINESS PLAN PARADIGM

- Mission/Opportunity/Strategies

- External Environment Analysis

- Beneficiary ("Market") Analysis

- **Operations and Value Chain Analysis**

- Organization and Human Resources

- Business Model

- Metrics and Accountability

- Operating Plan and Budget

- Financing

OPERATIONS AND VALUE CHAIN READINGS

- *Carlson and Koch,* Chapter 7

OPERATIONS TOPICS

- Operations Innovation Examples (from Prahalad)

- Operating Processes (how operations are executed)

- Operations = Value Creation
  - Value Chain Analysis

- Operating Partnerships

- Operations Sustainability/Sustainability

- Examples

PRAHALAD'S 12 PRINCIPLES OF INNOVATION
The Importance of Process

1. Price/performance of products and services
2. "Hybrid" solutions (combine existing and new)
3. Scalable/transportable across countries, cultures, languages
4. Conserve resources (avoid waste)
5. Functionality over form
6. Innovations in process with innovations with product
7. "De-skilling" work (reduce training requirements)
8. Education of customers
9. Work in "hostile" (low quality) environments
10. Simple interfaces (mechanical and human)
11. Easily accessible
12. Architectures that can evolve quickly

OPERATING PROCESSES (Workflow)

There should be at least one process (identifiable/documented set of procedures/steps) for each strategy, and for each major activity necessary to deliver the key products and/or services to the beneficiaries.

Examples of processes (Your organization probably will not have all of these and may have others):

- Product/Service Development (Product Life Cycle)

- Manufacturing/Providing

- Supply Chain Management

- Marketing/Education/Training

- Sales/Distribution/Delivery

- Service and Support

- Finance/financing (e.g. fundraising)

- Administrative Services (e.g. human resources)

Operations Involved in Carlson/Koch Case Studies

Organization	Operations Involved
Grameen Shakti	Sales, supply chain management, pricing, micro-financing, service
Sankara	Customer acquisition (eye camps), market/customer segmentation/pricing surgery (including pre- and post-op)
Equal Access	Content creation, content distribution, community engagement

OPERATIONS = VALUE CREATION
Value Chain Analysis
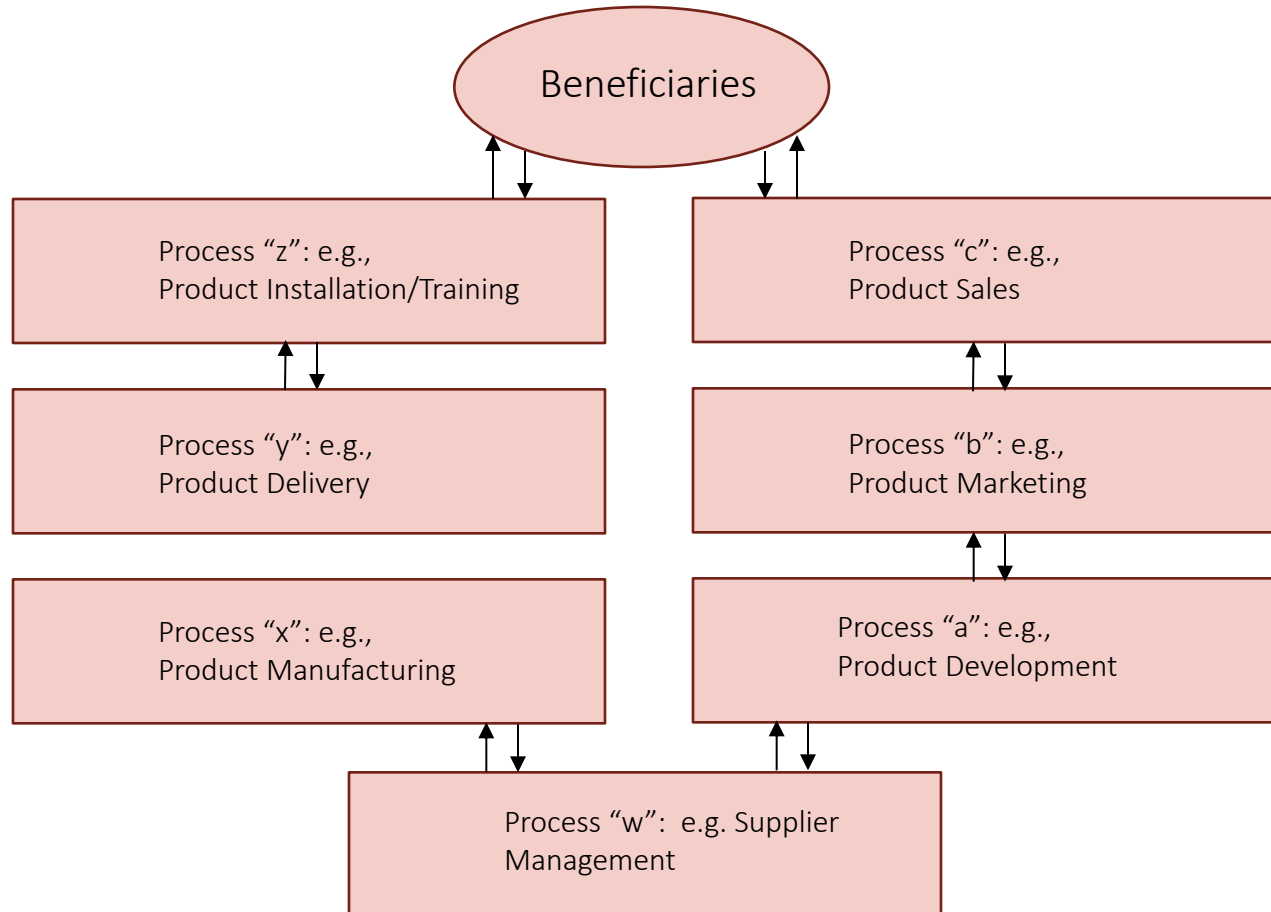
- Value chain analysis identifies a network of processes and the relationships (flow of products/services, and possibly money) among them that creates value (for the customer).

- *Note: this does NOT include overhead/administration/fund-raising all of which are also important operations for the organization.*

- Value chain analysis is related to supply chain analysis, which is a "network of organizations connected by flows of products/services, information, and money."

- *Note: supply chain is a major opportunity for partnerships (which reduce costs)*

OPERATIONS = VALUE CREATION
Value Chain Analysis

Beneficiaries

Process "z": e.g.,
Product Installation/Training

Process "c": e.g.,
Product Sales

Process "y": e.g.,
Product Delivery

Process "b": e.g.,
Product Marketing

Process "x": e.g.,
Product Manufacturing

Process "a": e.g.,
Product Development

Process "w": e.g. Supplier Management
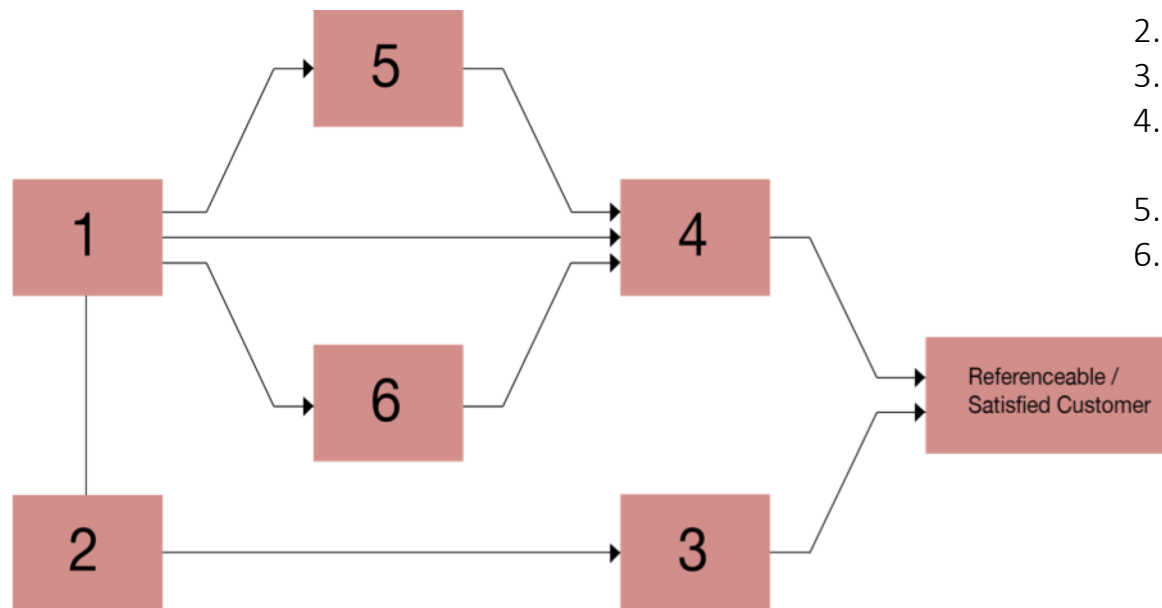
OPERATIONS = VALUE CREATION
Value Chain Analysis

Example: The value chain for Grameen consists of 6 basic processes:

1. Product definition, partner Solar Home System supplier selection, acquisition and pricing
2. Product supply
3. Distribution/Delivery
4. Marketing, Sales, and Collection
5. Micro-financing
6. Service/Repair

Grameen Shakti: Value Chain Diagram

1. Product definition, partner Solar Home System supplier selection, acquisition and pricing
2. Product supply
3. Distribution/Delivery
4. Marketing, Sales, and Collection
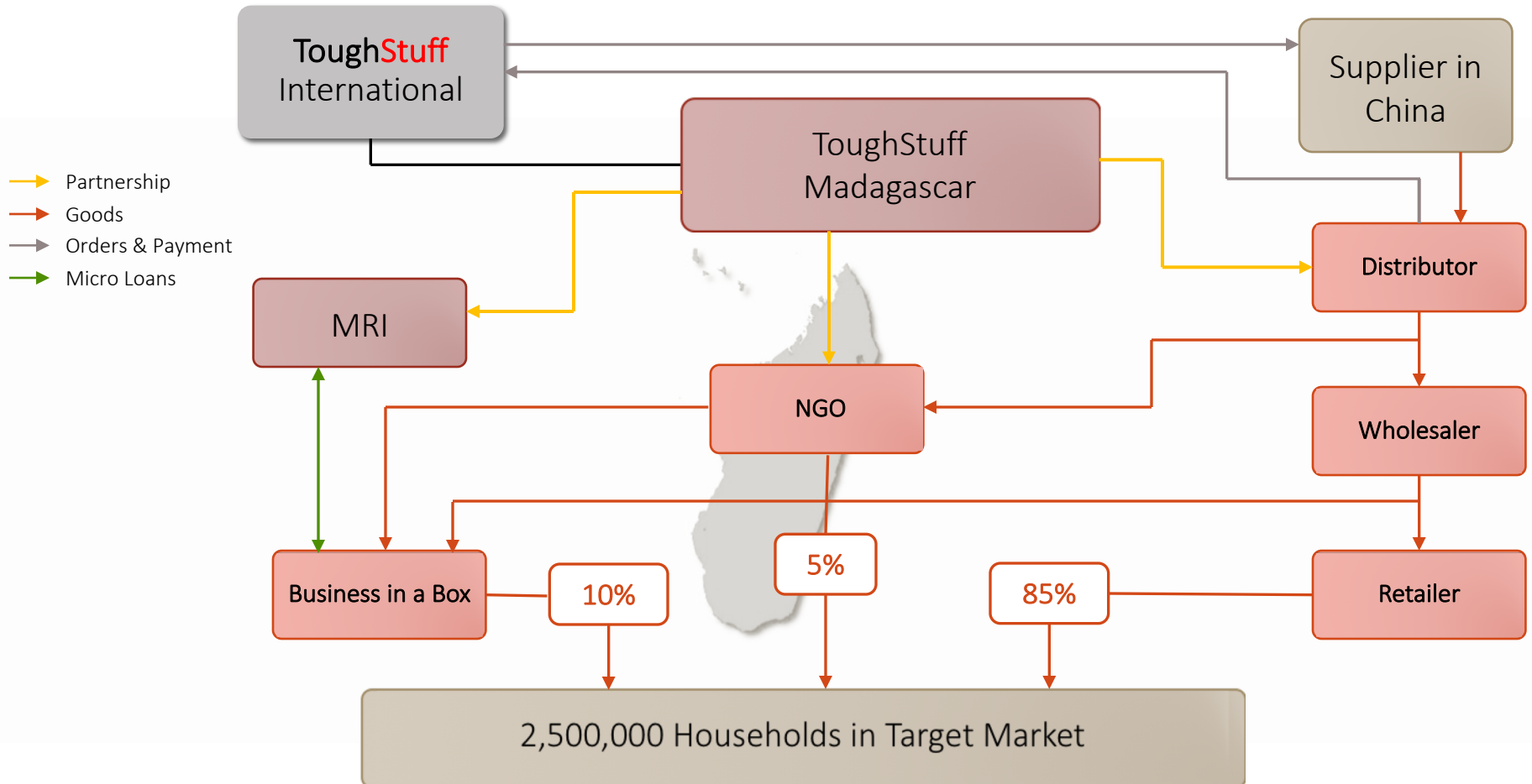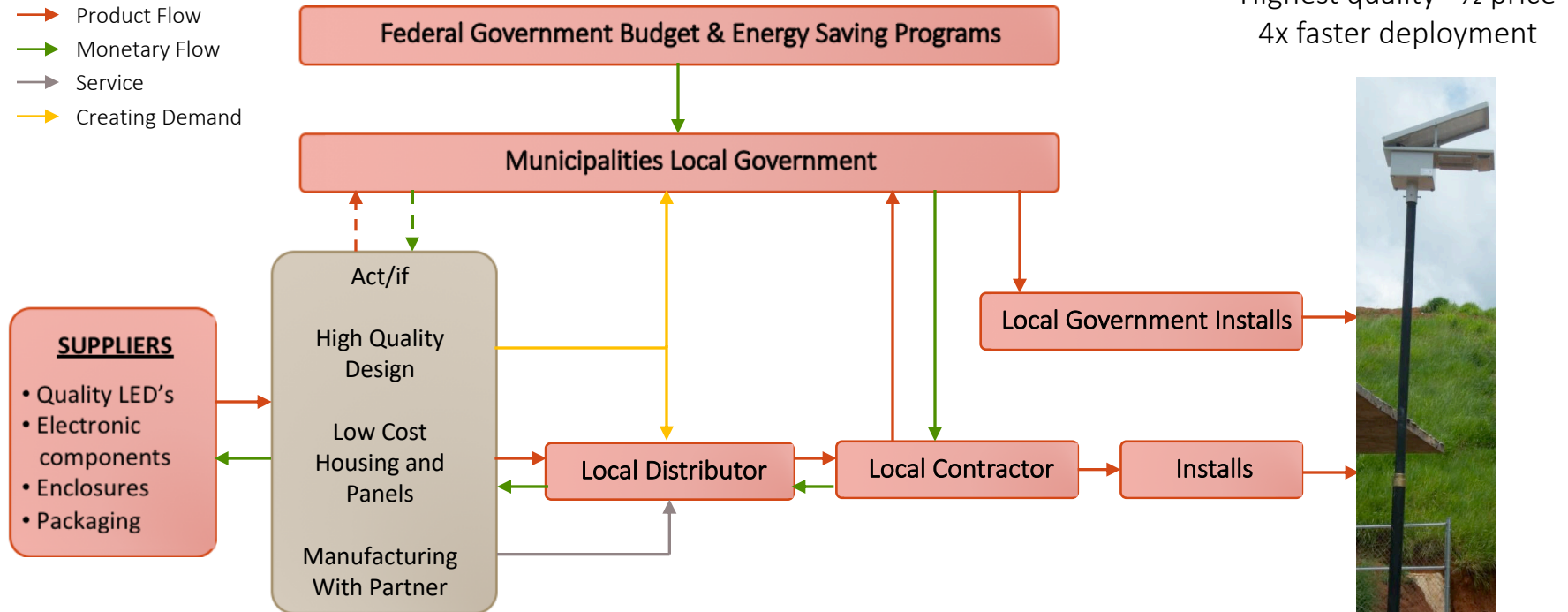5. Micro-financing
6. Service/Repair

HOW THE BUSINESS WORKS

ACT/IF VALUE CHAIN

Act|if
POWER ®

→ Product Flow
→ Monetary Flow
→ Service
→ Creating Demand

Highest quality - ½ price
4x faster deployment

Federal Government Budget & Energy Saving Programs

Municipalities Local Government

Act/if

High Quality Design

Low Cost Housing and Panels

Manufacturing With Partner

SUPPLIERS
- Quality LED's
- Electronic components
- Enclosures
- Packaging

Local Distributor

Local Contractor

Local Government Installs

Installs

Requirement:
Lighting is a basic need to support economic development in underserved communities (slums) and remote rural locations:
- Security
- Extended working hours
- Road Safety

Operating Partnerships

Types of Partnerships
- *Networks* (share information, e.g., contacts)
- *Coordination* (similar processes; separate beneficiaries, or similar beneficiaries, separate processes)
- *Cooperation* (one org. "outsources" process to another)
- *Collaboration* (processes are shared—multiple orgs. operate as one)

Managing (Costs of) Partnerships
- Negotiation (defining roles)
- Communication
- Accountability (MOUs. Contracts)
- Periodic Assessment (benchmarks)

Operating Partnerships

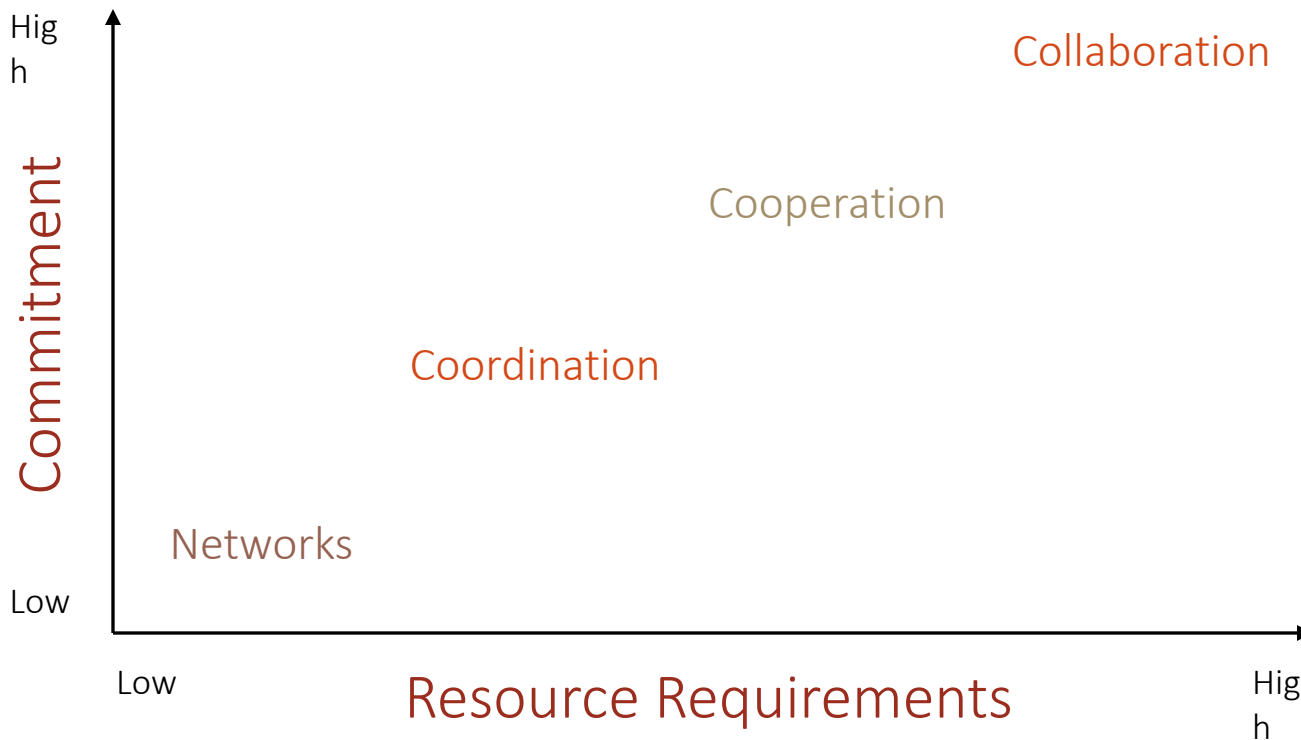Benefits of Partnerships (for sustainability/scalability)
- Extend capability
- Extend reach
- Lower cost
- Provide more effective products
- Gain additional resources (financial, staff)
- Improve credibility

Risks of Partnerships (studies show that over 50% of partnerships fail)
- Wasted resources
- Competition for funds (or reduced funding)
- Competition for beneficiaries
- Conflicting marketing/messages
- Structural atrophy (excessive reliance)

Types of Partnerships

Collaboration

Cooperation

Coordination

Networks

Commitment

High

Low

Resource Requirements

Low   High

Types of Partnerships

Operating Partnerships
Examples for Grameen Shakti

- _**Networks**_ (share information, e.g., contacts)
  Local groups (tribes, communities)

- _**Coordination**_ (similar beneficiaries; separate processes)
  Grameen Telecom

- _**Cooperation**_ (one org. "outsources" process to another)
  Manufacturer(s)

- _**Collaboration**_ (processes are shared—multiple orgs. operate as one)
  Grameen Bank

Operations (Value Chain) Sustainability and Scalability

Sustainability

- Each operation/element of value chain adds value for the beneficiaries (i.e., no "wasteful" process)
- Partnerships lower costs
- Each organization in value chain receives adequate return (financial or social)

Scalability

- Costs of ops./value chain decline with volume
- Ops./Value Chain can be easily replicated (in different location by different personnel)
- Replication enables cost reductions
- Replication does not lower quality or price/performance

Operations Example
Aravind Eye Care System

- Operating Processes

- Value Chain

- Whole Product Concept

- Operating Partnerships

- Sustainability/Scalability

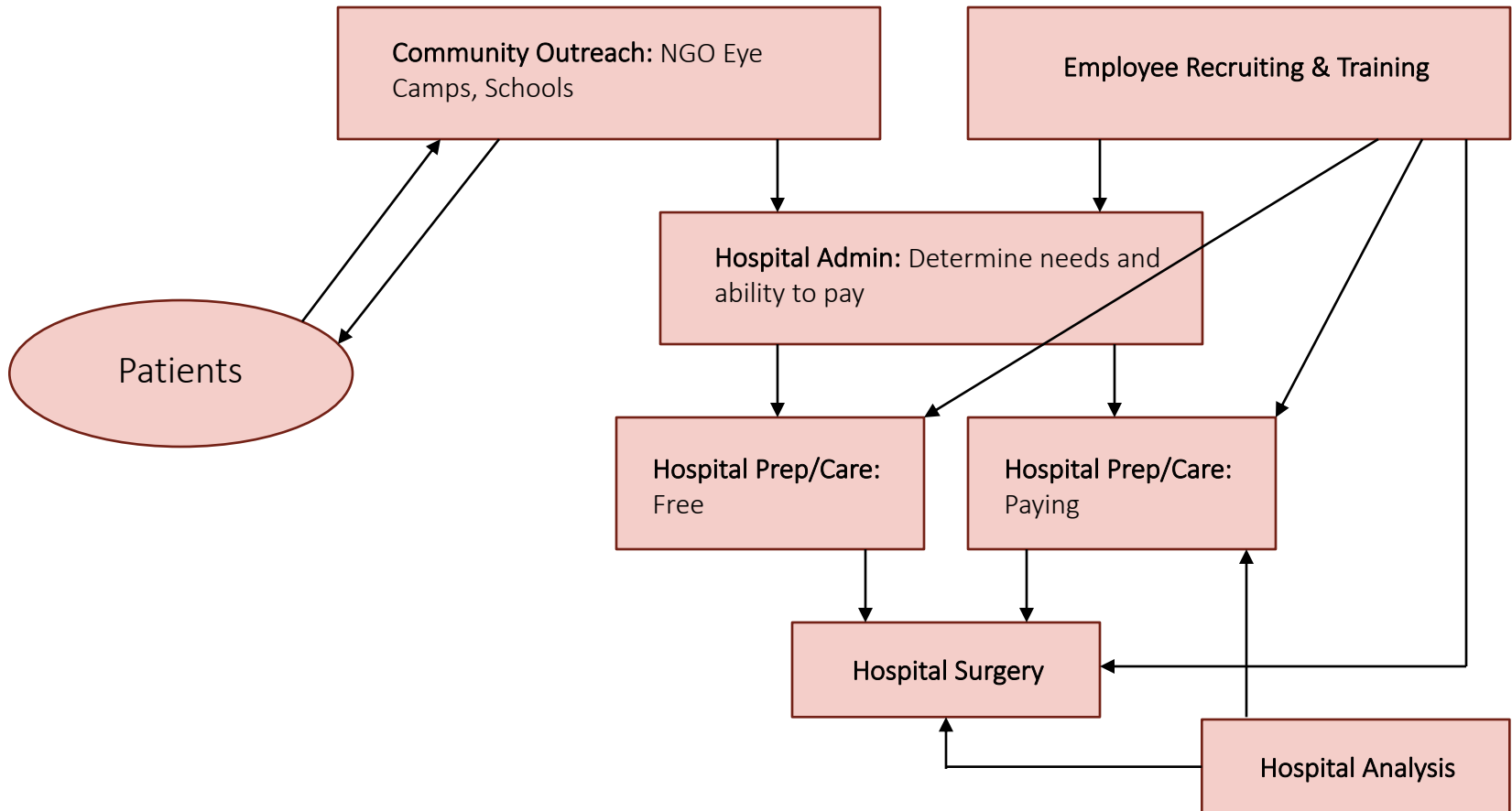# Aravind Eye Care System
Operating Processes

- Hospital process/workflow (admittance, screening, surgery, recovery); tailored processes for paid/free

- Employee recruiting and training

- Pareto analysis and benchmarking of "adverse events"

- Community outreach

Aravind Eye Care System
Value Chain

Aravind Eye Care System
Operating Partnerships

- LAICO (**cooperative** camps; extend reach)
- AuroLab (**collaborative** manufacturing of lenses; lower costs)
- IIT (**cooperative** kiosks; extend capability for support)
- Aravind Medical Research (collaborative development of new process and procedures; more effective products/services)
- ACWCCH (**collaborative** training; extend reach)
- Rotary Eye Bank (**coordinated** supply for transplants; extend capability)
- AEH & PIGO (**collaborative** training of ophthalmologists; gain additional resources)

Aravind Eye Care System
Operations Sustainability and Scalability

Sustainability: very strong

- Can identify value for each operation/element of value chain adds value (for the beneficiary)
- Partnerships lower costs of training, lenses, and outreach
- High margin ensures that each org. in value chain receives adequate return (financial and social)

Scalability: in India, but harder outside of India

- Ops./Value Chain can be easily replicated in India with Aravind personnel
- Replication does not lower costs
- Big discontinuity in economies of scale when new hospital is required
- Replication outside of India and Aravind control may lower quality or price/performance

Report #4: Operations

1. Give a short description of each of the organization's key operating processes (i.e. the processes that create product/service value—you can omit fundraising and administration, or other "overhead" processes).   1 pt.

2. Using these operations, create a Value Chain for your organization, from product/service creation to product/service delivery. If it is appropriate, you may use (or modify) an existing diagram from your org., even if it is not called Value Chain.   1 pt.

3. Are there any operating process or value chain innovations?   1 pt.

4. a) List the organization's key operating partnerships   1 pt.

    b) Describe what type of partnership it is (network, …).

    c) Identify which of the key operating processes (from Questions 1 and 2) the partnership enhances.

5. What does your analysis indicate about the sustainability and scalability of the value chain (slide 19)?   1 pt.

Presentation #4: Operations

1. Create a Value Chain for your organization, from product/service creation to product/service delivery. If it is appropriate, you may use (or modify) an existing diagram from your org., even if it is not called Value Chain. 0.5 pt.

2. Indicate on the value chain which processes involve partners. 0.5 pt.

3. Are there any process innovations? 0.5 pt.

4. What does your analysis indicate about the sustainability and scalability of the value chain (slide 19)? 0.5 pt.