

# AlpBioEco

## Success Factors

WP-T2: Deliverable 2-3

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## 1. INTRODUCTION

The term *innovation* has emerged as a new buzzword since Joseph Schumpeter's seminal work in 1912. *Innovation* is based on the Latin word "innovatio" which derives from "novus" and can be translated in terms of "new" or "novelty". This novelty can refer to products, services, processes or whole business models. However, being innovative in one or more of these areas is difficult and complex, and the majority of innovations fail (Gassmann & Friesike, 2012). The bad news is that neither a magic bullet nor a standardized process exists that will automatically lead to innovation success (Gassmann & Friesike, 2012). The good news, however, is that learnings can be derived from past successful and unsuccessful innovations. In fact, research shows that 90% of business model innovations, the supreme discipline of innovating, are simply a re-combination or a re-interpretation of already existing components that were successful in other industries, markets or contexts (Gassmann, Frankenberger & Csik, 2013). Hence, every entrepreneur, start-up and established company is well-advised to observe innovations within as well as outside their industry and to use these observations as a source for inspiration and learning for their own innovation endeavours.

Based on these considerations, one of the aims in work package T-2 of the AlpBioEco project was to identify and define success factors and needed competencies for eco-innovative business model innovation. Therefore, complementary to developing eco-innovative business model blueprints for the alpine region (see Deliverable 2-1), we identified and analyzed several good and bad practice examples of eco-innovative business models to learn from (see Deliverable 2-2) and derived success factors and needed competencies (see this report) as well as missing linkages and stakeholders (see Deliverable 2-4).

The aim of this report is to illustrate our findings on the identified success factors and required competencies for the implementation of eco-innovative business models in the alpine region. Deliverable 2-3 should serve as a quick start guide for the implementation of the developed business model blueprints. However, the scope of these success factors is not limited to the business model blueprints developed in this project, but can be transferred also to the implementation of other (eco-innovative) business models.

In the following chapter, we describe our research approach and how the success factors were identified. In chapter 3, we present and explain the identified success factors before we provide a conclusion in chapter 4.

## 2. METHODOLOGY

To identify and research success factors and required competencies for the implementation of eco-innovative business models, we reviewed the relevant literature and conducted 11 expert interviews. Additionally, we enriched these findings with the business model specific success factors that were discussed during the 22 Open Innovation workshops (see Deliverable 2-1). This approach allowed us to triangulate the identification of success factors and to contrast and connect the perception of theory and practice to get the best of both worlds.

The 11 expert interviews were conducted between mid-October and mid-November 2019 by 3 interviewers in Germany, Austria and Slovenia. The interviews were semi-structured. All interviewers used the same interview guide (see appendix for details), but were encouraged to shift the focus of the interview depending on the interviewee's expertise. We conducted the interviews in the respective local language either face-to-face, via telephone or videoconference, depending on the availability of the interviewees. On average, the interviews lasted for approx. 25 minutes and we protocolled them by using memory minutes right after the interview.

**Table 1:** Overview of interviewees (own illustration)

#	Interviewee's Background	Country
1	Serial entrepreneur and visionary in the field of eco-innovative business models	Germany
2	Serial entrepreneur with a failed start-up in the food industry	Germany
3	Manager of an SME in the manufacturing industry (manufacturing based on organic raw materials)	Germany
4	Bio-economist and manager of an environmental and agricultural association (intermediary)	Germany
5	Serial entrepreneur with a failed start-up in the food industry	Austria
6	Start-up consultant	Austria
7	COO of a regional incubator	Austria
8	Initiator and host of regional "fuck-up nights", various past and current positions in the regional start-up	Austria
9	Start-up consultant and entrepreneur with a failed start-up in the social sector	Austria
10	Entrepreneur and start-up founder in the food processing industry	Slovenia
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We selected the interviewees based on the long list of good and bad practice examples of eco-innovative business models in the alpine region (see Deliverable 2-2) and based on a brainstorming among all 13 project partners. After contacting experts from all countries involved in the AlpBioEco project, we were able to interview experts from Germany (4), Austria (5) and Slovenia (2). The contacted Italian and French experts did either not respond or were not available for an interview before the end of this work package. In total, 6 of our interviewees are/were (serial) entrepreneurs by themselves, the other 5 interviewees are professionals in the start-up ecosystem and are therefore in regular exchange with successful and unsuccessful entrepreneurs and business models. Most importantly, we were able to interview 3 experts who failed with at least one of their business models. An overview of the interviewees' background and expertise can be found in Table 1.

We put a particular emphasis on selecting interviewees with practical business model expertise and not experts with a theoretical or research focus. This allowed us to go beyond the results of the literature review and to compare the theoretical status quo with the practical insights and perceptions provided by the interviewees. We report our findings in the next chapter.

### 3. RESULTS

In total, 61 success factors for eco-innovative business models emerged from the 11 expert interviews. Figure 1 summarises the identified success factors in a word cloud. The size of the words represents the emphasis that was put on each of the success factors by the interviewees during the interviews.



**Figure 1:** Word cloud of identified success factors (own illustration)

Most of the success factors identified during the interviews with business model practitioners are in line with current research implications (e.g., customer focus, consistent value chain, importance of networks and cooperations, and the need to be patient and resilient), whereas some of the identified success factors extend the current literature by adding further insights to eco-innovative business models (e.g., holistic sustainability and responsibility, recognition of stakeholder interests and society at large, and the need for authenticity and credibility).

For the purpose of interpretation and discussion, we structured these 61 identified success factors along the four business model components suggested by Gassmann et al. (2013). During this task we recognized that many success factors do not refer to the business model per se, but to framework conditions and underlying circumstances in the organization, its corporate culture, and the mindset of the entrepreneurs and their teams; this led us to create an additional category. Depending on the focus, we assigned the 61 identified success factors to one of the following categories:

- Target group: success factors related to the customers, customer segments, and customer relationships
- Value proposition: success factors related to the USP and the created value
- Value chain: success factors related to the value creation architecture, including internal resources and competencies, processes and activities, and key partners
- Profit model: success factors related to the cost structure and the revenue model
- Organization, culture & mindset: success factors related to framework conditions and circumstances underlying the business model

The result is illustrated in Figure 2. In the following paragraphs, we briefly discuss the identified success factors for each of these five categories.



**Figure 2:** Identified success factors assigned to business model structure Source: adapted from Gassmann et al., 2013

## Success factors related to the target group

In order to succeed in business model innovation, the **customer** has to be in **focus**. It is no coincidence that Gassmann et al. (2013) placed the target group in the centre of the magic business model triangle. In fact, every business model development activity should be customer-oriented. The **target group** and the respective customer segments need to be identified and clearly defined. Clarity about the **niche** that should be occupied with the new business model is of utmost importance. Based on this definition, the **market situation** and the target customer can be analysed in order to make sure that their needs, pain points, and their **willingness to pay** are fully understood. Focusing on target customers' problems allows to provide them with suitable solutions (→ link to value proposition) and to ensure a **product-market-fit**, market acceptance and **customer loyalty**. The **timing** of launching a new product or service also represents a success factor that should not remain unrecognized. Some business models fail because the problems in the market have not been recognized by the customers yet. Furthermore, the communication and distribution channels, the customer touchpoints and the customer relationships need to be selected and defined. These findings are largely in line with the work of prominent business model scholars like Osterwalder & Pigneur (2010) and Gassmann et al. (2013).

## Success factors related to the value proposition

In general, literature suggests that for the success of a business model it is of utmost importance that the value proposition is clearly defined (Gassmann et al., 2013; Osterwalder & Pigneur, 2010). Business model developers need to have a clear conception of the provided key offerings and the value that they create for the target customers (Schallmo, 2016). This was clearly confirmed by the results of the interviews: a well-defined and consistent value proposition that solves the target customers' problem (**problem-solution fit**) and **recognizes the customer benefits** is crucial for eco-innovative business models. In contrast to conventional business models, however, eco-innovative business models have to align the value proposition not only with the interests of their customers but also with the interests of the society at large in order to be successful. When designing the value proposition of an eco-innovative business model, the **needs of the society** and the **interests of stakeholders** have to be taken into consideration. Ideally, an eco-innovative business model creates value for both the customer and society. Hence, the value proposition should benefit the customers and by the same token addresses the economic, ecological or social concerns of the society. Once the value proposition is clearly defined, the **USP** has to be **continuously communicated** in order to achieve recognition and acceptance among the target customers and society. For eco-innovative business models, an **authentic** storyline is helpful to establish **credibility**. However, defining and communicating the value proposition is not enough. The **product design** has to reflect the value proposition in every feature, whereby **usability** and **user experience** play an important role in the acceptance of a business model.

## Success factors related to the value chain

Besides defining the target group and the value proposition, the success of a business model strongly depends on *how* the specified value is created, i.e. the value chain design (Gassmann et al., 2013). This includes the definition of key partners, key activities and key resources (Osterwalder & Pigneur, 2010). In this regard, it is important that the entire business model is based on a value chain which is **consistent** and authentic and which reflects the value proposition at each step of the value creation. Especially for eco-innovative business models, it is important to ensure **holistic sustainability**, i.e. ensuring sustainability not just within the own organization but throughout the entire value chain ranging from suppliers to the end-consumer. Such holistic sustainability includes ecological as well as social sustainability paired with long-term economic success. It is manifested, for example, in local and regional sourcing, waste recycling, social management, as well as in the fair treatment of employees and external stakeholders. Establishing such holistic sustainability requires an active creation, management and **regulation** of the **network** and **partnerships**.

On the one hand, it is crucial to **enter cooperations** with suppliers, partners, **research institutions** and other **experts** in order to **exchange** ideas and **experiences**. On the other hand, it needs to be ensured that all partners and associated actors comply with sustainability standards in order to make the eco-innovative business model credible. This finding is in line with the recommendations by Boons and Lüdeke-Freund (2013).

Regarding the key activities, rapid prototyping and iterative feedback loops are helpful to test the business model. For eco-innovative business models, **holistic testing** is recommended. This includes gathering feedback from both customers and other stakeholders. Furthermore, a **lean** and low-budget **marketing** approach based on **guerrilla marketing**, **word-of-mouth** and an **authentic** storyline combined with an **intelligent sales strategy** which is in line with the sustainability philosophy was identified as a success factor for eco-innovative business models. Moreover, **product standardization** should help to scale the business model. In addition, **flexibility** in **adapting to** changes in **the environment** and **adhering to laws** (especially in the food and cosmetics industry) was mentioned as being crucial for success.

### Success factors related to the profit model

In order to make a business model successful in the long-term, it has to be defined how value is captured and how financial viability is secured (Gassmann et al., 2013). This includes the planning of revenue streams and cost structures (Osterwalder & Pigneur, 2010). Especially for eco-innovative business models, this is a critical factor as the nature of such business models often brings along higher operating **costs** (e.g., organic raw materials or sustainable production processes are usually more expensive). At the same time, customers might be reluctant to pay price premiums unless they clearly see the **benefits** for them. This once again emphasizes the importance of a well-defined and continuously communicated USP (→ link to value proposition). As eco-innovative business models might need more time to break even and turn profitable, **financing** needs to be secured in the medium- to long-run. Access to **investors** is a critical success factor in this regard.

### Success factors related to the organization, culture and mindset

The success of an eco-innovative business model does not only depend on the business model per se, but also on framework conditions it is embedded in. Particularly important in this regard is that there is a fit between the business model and the organization, its culture and the mindset of the entrepreneurs and their team. Organizations with a strong innovation culture tend to be more successful with their business models. This includes an **open error culture** that **embraces failure** ("fail fast, learn fast") and values **learning-by-doing**. Such corporate cultures are **open to feedback** and **critical self-reflection**. Moreover, it is important that the entrepreneurs have an action mindset (**implementation**), are not afraid to **take risks** where the opportunities appear to be promising and most importantly that they are **patient** and **resilient** and do not give up despite several setbacks. Hence, they need to be **convinced by the idea** and should clearly define the social **purpose** that they follow with their eco-innovative business model. This, in turn, serves as an **anchor** (vision & mission statement) in order to ensure that the **overarching objectives** are aligned and everyone acts in concert. To implement the business model and to achieve these objectives, an **interdisciplinary team** with complementary competencies and a **uniform attitude** is beneficial. In order to stay action-oriented as a team, **lean management structures** with clearly **defined responsibilities** are needed. This requires an atmosphere of **trust** and open **communication** within the organization.

## Business model-specific success factors

In addition to the success factors derived from the expert interviews and from literature presented above, we distilled success factors that are specific to the eco-innovative business models developed for the value chains of apples, walnuts and herbs in the alpine region (see Deliverable 2-1 for details on the developed business models). These business model specific success factors reoccurred over and over again in several business model development workshops within the course of the AlpBioEco project:

- Intangible assets: obtaining market approvals, certifications and intellectual property rights (e.g., patents) are necessary for many of the developed business models in order to get access to the market and to protect the business model both from a legal and a marketing perspective from imitators.
- Finding the right partners: to design a sustainable value chain almost all developed business models depend on a network of partners. The key to success is to find partners that have the required competencies, are willing to cooperate and at the same time fulfil the sustainability criteria.
- Financing the business model: most of the developed business models need high initial investments. This includes, for example, investments in R&D, production facilities, and in establishing sales channels.
- Availability of raw materials: securing access to raw materials in the right quality and quantity is key to most developed business models. Apples, walnuts and herbs are seasonal products with varying quality depending on nature. Especially the availability of walnuts is often limiting the scalability of the developed business models.

## 4. CONCLUSION

Overall, it appears that many success factors that apply to business models, in general, can be transferred to eco-innovative business models. In addition to these general success factors, however, success factors specific to eco-innovative business models have to be taken into consideration. The three most relevant factors are (1) involving relevant stakeholders and society at large, recognizing all their needs, and designing a balanced value proposition accordingly, (2) ensuring holistic sustainability throughout the entire value chain including all partners and suppliers involved, and (3) establishing authenticity and credibility to avoid accusations of greenwashing.

Furthermore, the findings show that many of the identified success factors are not directly related to the business model per se but to framework conditions. Hence, an organization with the right culture and mindset has to be in place to support the success of an eco-innovative business model. Surprisingly, only very few of the identified success factors are related to the financial perspective of eco-innovative business models. It appears that the economic success of an eco-innovative business model will come automatically if all other business model components are implemented well and if they are supported by appropriate framework conditions.

Finally, we want to highlight that the success factors identified in this report represent principles derived from the experience of the interviewees. These success factors should serve as guidelines and – combined with the report on Deliverable 2-2 on good and bad practice examples – as a source for learning from others experiences. However, please keep in mind that such guidelines always have to be adapted to the specific case. Of course, considering success factors does not guarantee success, but if executed well it increases the likelihood of success.

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## APPENDIX

Table 2 shows the interview guide which was used for the conduction of 11 semi-structured interviews. Depending on the interview partner and the course of the conversation, the questions were adjusted to the situation.

**Table 2:** Interview guide used for 11 semi-structured interviews (own elaboration)

Key question	
<p>You have already launched an eco-innovative business model that has not worked. <b>Could you please explain this business model to me?</b></p> <ul style="list-style-type: none"> <li>• What was the unique selling proposition?</li> <li>• What was the main target group/market?</li> <li>• How was customer benefit generated?</li> <li>• How did the processes expire?</li> <li>• How did you generate revenue?</li> </ul>	
Content aspects	Sub-questions (if needed)
What were the reasons why you created this business model?	
What do you think went well with this business model?	<p>What would you consider as good practice in your venture?</p> <p>In terms of generating customer benefits?</p> <p>Regarding the processes in the company (resources, partnerships, ...) ?</p> <p>In terms of generating income?</p>
What do you think are the success factors especially for eco-innovative business models?	<p>When creating the eco-innovative business model?</p> <p>During the implementation of the eco-innovative business model?</p>
What do you think were the reasons why the business model failed?	<p>What do you think hasn't gone so well with the business model?</p> <p>In terms of generating customer benefits? Targeting of customers?</p> <p>Regarding the processes in the company (resources, partnerships, ...) ?</p> <p>In terms of generating income?</p>
What do you think are the stumbling blocks especially for innovative business models?	<p>What are the specific challenges?</p> <p>When designing an eco-innovative business model?</p> <p>In the implementation of an eco-innovative business model?</p>
What would you do differently next time?	<p>When creating the eco-innovative business model?</p> <p>In the implementation of the eco-innovative business model?</p>
What would you recommend to other startups in terms of eco-innovative business models?	<p>How should customer benefits be generated?</p> <p>How should processes be defined?</p> <p>How should revenues be generated?</p>

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