

Research

Business Model Creation Aimed at Solving Social Issues

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Recently, social issues that are difficult for specific organizations and enterprises to solve alone have been increasing, in accordance with rapid changes in society such as the declining birthrate and aging population. Open innovation has been gaining attention as a means to solve these issues. Open innovation is when an organization or an enterprise creates innovation by combining ideas and technologies invented outside the organization or enterprise with its internal resources, or when ideas and technology that have not yet been used internally are used outside of the organization or enterprise. Consequently, in the past, organizations and enterprises have mainly used open innovation as a means to find collaboration partners by specifying necessary technology, etc. and as a means to release and publicize ideas and technology to increase search engine hits and gain the attention of other organizations and enterprises.

On the other hand, measures are increasingly being implemented to create opportunities for knowledge exchange and stimulate open innovation. These consist of holding workshops whose contents and purpose are released beforehand. A wide range of interested organizations and individuals gather at these workshops and activities are promoted for each individual project. The aim is to produce results within the time-limit of the workshop and find catalysts for innovation to solve social issues.

This report focuses on the creation of ideas that can lead to solving social issues for which a solution can be expected, and introduces Future Business Modeling (hereinafter, FBM) as an approach to creating "opportunities" for open innovation.

Table 1: FBM Flow

| | | |
|-------|---|---------------------|
| STEP1 | Inspiration | Divergence/ Open |
| | Identification of issues and opportunities that could be catalysts of solutions | |
| STEP2 | Ideation | |

| | | |
|-------|--|----------------------|
| | Creation of ideas regarding issues and opportunities and drawing up of rough drafts of business models | |
| STEP3 | Screening | Concluding/ Close |
| | Evaluation of candidate ideas from multiple viewpoints to select an idea to be worked on toward implementation | |
| STEP4 | Implementation | |
| | Gathering stakeholders for verification and experiments to realize the business model | |

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1 Inspiration and Ideation

1.1 Workshops by Experts

Hitachi Research Institute plans and hosts workshops in the phase of spreading around and stimulating ideas by inspiration and ideation. These workshops are held as "opportunities" to create new ideas that can contribute to solving social issues by matching the needs of citizens regarding difficult-to-solve social issues and seeds obtained from technology that will be realized in the near future through dialogue by experts according to themes in the program shown in section 1.2 below.

Table 2: Workshops for Inspiration and Ideation

| | |
|----------------------|---|
| Theme | Social issues for which a solution can be expected |
| Participants | Experts on the theme 5 people x 4 tables, total of approximately 20 people |
| Location | Place where participants can focus on dialogue comfortably |
| Time | Approximately half a day |
| Deliverables | Multiple ideas regarding new businesses to solve the social issues |
| Contents of dialogue | In order to activate and stimulate the dialogue, speakers are invited from inside and outside of the company. |

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1.2 Programs for Inspiration and Ideation

To encourage dialogue in the workshops, a program is prepared, as indicated in Table 3. In the program, a series of speakers make presentations for inspiration

and each table is assigned a series of work tasks for ideation. To enable knowledge-sharing by participants from different backgrounds, the time for each table to present its work results is also set at the end of each respective work session. In addition, in order to ensure that each team creates new service ideas, facilitators are assigned to each team to guide the dialogue.

Table 3: Example of a Program for Inspiration and Ideation

| | |
|---|---|
| Orientation | Confirmation of overall rules Sharing of themes and targets |
| Work (1) : Needs Sharing | Sharing of needs for the theme by all participants after brainstorming by each table |
| Lecture (1) : Stimulating Input | Presentation by specialists regarding advanced case examples of seeds and outlook for the near future (1) |
| Work (2): Seeds Sharing | Sharing of findings regarding lecture (1) by all participants after brainstorming by each table |
| Lecture (2) : Stimulation Input | Presentation by specialists regarding advanced case examples of seeds and outlook for the near future (2) |
| Work (3): Idea Creation | Matching of results of work (1) and (2) at each table to create new service ideas and reinforce ideas |
| Work (4) : Reinforcement of Ideas | Table member re-shuffle in a "World Caff" format and reinforcement of ideas |
| Summary | Presentation by each table on named new service ideas |
| Social Gathering | Networking |

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1.3 Framework for Ideation

For easier comparison of ideas in the screening phase following ideation and to guide the dialogue, a framework is written in advance on a paper for reporting, so as to include the 4 consideration items in Table 4 in new ideas in the workshop's final presentation.

Table 4: Essential Consideration Items for New Ideas

| | |
|---|--|
| 1 | What kind of value can be provided to whom by solving the issue? |
| 2 | What resources create value? |
| 3 | What channels deliver value? |
| 4 | Which sources of profit enable the provision of value to be a sustainable service? |

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Photo: An Actual Workshop

2 Screening

The screening phase for concluding is carried out mainly by the organization which will act as the main body in implementing the idea. During screening, multiple participants answer 20 questions designed based on multiple points of view, as indicated in Table 5, regarding each idea obtained in the workshop. Answers to the questions are made on a 5 level-scale. If the person answering the question completely agrees, they select 5, or they select 1 if they completely disagree. Later, the responses are tallied and quantitative priority is placed on ideas. Ideas enter the implementation phase by order of priority.

Table 5: Questions for Screening (Excerpt)

| | |
|----------------|---|
| Market | Will demand continuously increase long-term? |
| | Is there any dominance by a leading company? |
| Competition | Do we have the necessary human resources and equipment? |
| | Can we build an eco system? |
| | Is test marketing possible? |
| Synergy Effect | Is coordination with existing businesses possible? |
| Ripple Effect | Is the burden (such as development costs) too great? |

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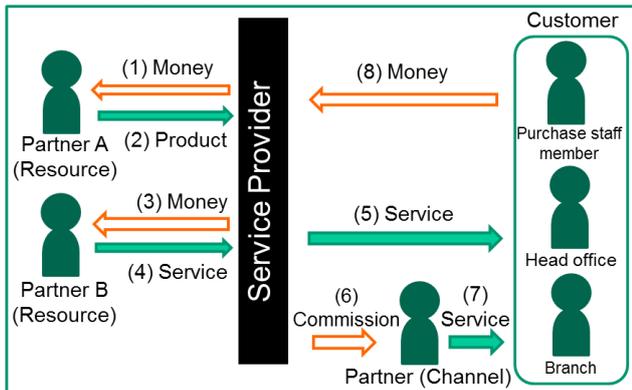
3 Implementation

3.1 Brushing Up the Preliminary Business Model

At the beginning of the implementation phase, Hitachi Research Institute takes a central role in organizing the contents of Table 4 and creating business model plans for high priority ideas. In addition, Hitachi Research Institute creates a business flow chart similar to that shown in Figure 1, indicating the organization and the flow of the money, products and

services, and information appearing in the business model.

Later, Hitachi Research Institute asks stakeholders appearing in Figure 1 for their cooperation and plans new workshops as “opportunities” to create specific business models. At the same time, related information is gathered through meetings, etc. for the contents of the workshop described in section 3.2



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Figure 1: Business Flow Chart Example

3.2 Hosting of Workshops by Related Parties

Workshop participants in the implementation phase are the staff members who will be directly involved in the business onsite, such as staff members from sales, procurement and research development divisions, as well as the planning divisions of stakeholder companies. The appropriateness of the business model is verified from the viewpoints of the directly concerned parties, new ideas are added in several brush-up sessions, and concreteness is confirmed through feasibility studies, etc.

Table 6: Workshop for Implementation

| | |
|-------------------|--|
| Theme | Implementation of selected idea |
| Participants | Staff members directly in charge of the business plan of stakeholders |
| Location | Conference rooms and sites related to the theme, etc. |
| Time | Multiple several-hour workshops |
| Deliverables | Executable and highly specific business model regarding the idea |
| Dialogue Contents | Detailed information that can be related to ideas acquired from meetings, etc., legal system for which measures need to be examined, field work survey results, etc. |

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4 Use of Required FBM

At present, the number of difficult-to-solve social

issues is increasing. In this management environment, the establishment of measures like FBM will be meaningful as one option when enterprises examine their contribution to solving social issues and the creation of new businesses.