
Business models for peer networks

Disclaimer

This briefing is a summary of various resources. You should not take the information provided here as a given: the concepts and theories we found useful may or may not apply to your network. We also acknowledge that similar theories and concepts appear in systems change, community organising and social change literature.

If you find yourself disagreeing with or questioning some of the points in this briefing, please make a note of it, as there will be an opportunity to discuss during our online session.

How to use this resource

Reading this document front-to-back may be a bit of an information overload. It might be easier to dip in and out of it according to your interests and current network issues. If you would rather read the whole thing one go - that's also great!

Below is a table of contents that will help you navigate this briefing. Each section gives an overview of the topic and then poses some questions that you may want to think about in relation to your own network.

We hope you find this useful, happy reading!

Table of Contents

How to use this resource	0
1 What is a business model?	2
2 Business model building blocks	2
3 Network orchestration: harnessing your value proposition	3
4 The cost of running a network	5
5 Revenue: models and key issues	7
6 Capital	7
7 Case Studies	7

1 What is a business model?

Before we dive into the intricacies and questions around different business models... what actually is a business model? We chose this description from the book [Business Model Generation](#) for its clarity and conciseness:

“A business model describes the rationale of how an organization creates, delivers, and captures value”

A business model should be “simple, relevant and intuitively understandable”, without being overly simplistic about the complexities of how the enterprise functions.¹ Crucially, a business model sets out costs - and how those costs will be covered.

Questions

- Do business models feel relevant to the work your network is doing?
- What is your definition of a (good) business model?
- Do you feel your current business model captures how your organisation creates, delivers and captures value?

2 Business model building blocks

So what makes up a good business model? In other words - what are the building blocks you have to think about when creating or reconsidering your current business model? The book [Business Model Generation](#) provides some useful guidelines. We have adapted these to fit with networks, but you can find the original version [here](#).

- **Network member segments:** groups of people or organisations you aim to reach and/ or serve through your network.
- **Value propositions:** the bundle of products and services that create value for a member segment.
- **Channels:** how you communicate with and reach your member segments to deliver a value proposition.
- **Member relationships:** Types of relationships your network establishes with specific member segments.
- **Revenue streams:** cash generated from member/ customer segments.
- **Key Resources:** the most important assets required to make a business model work.

¹ [Business Model Generation](#)

- **Key Activities:** most important things a network must do to make its business model work.
- **Key Partnerships:** wider network of suppliers and partners that make the business model work.
- **Cost Structures:** all costs incurred to operate a business model.

In the social sector, you may want to think about some specificities:

- **Customers can be split between people you serve (like your members) and people who pay you (like funders).** While in traditional business these tend to be the same people, in the social sector, income may not come from the same people using your service or product.
- **Certain legal structures in the social sector will not allow your organisation to have share capital / equity** - this means you may need to think about accessing working capital in a different way.

The Young Foundation created a business model canvas for the social sector. [Take a look here.](#)

Questions

- Have we missed any business model elements / building blocks?
- Is your network finding any particular elements challenging or rewarding?
- Hybrid models?

3 Network orchestration: harnessing your value proposition

We think this quote from '[Networks Are Eating the World](#)' illustrates well the importance of networks to running a business or organisation today:

The market has changed. As the research has shown, 30 years ago, 80 percent of market value was created by physical things. Today, that number has dropped to below 20% as companies have evolved the technology and mental models to leverage non-things such as insights, access, and relationships.

Because this massive change has occurred in a remarkably short period of time, our infrastructure is now out of date. Education, business belief systems, forms of leadership, governments, and governance don't lend support to or benefit from the new reality. When the infrastructure finally catches up, the acceleration of the market and our lives will be extraordinary. But many of us are already beginning to lead network lives.

Digital networks give us a chance to reconnect with our most human needs: to connect to each other; to be part of something larger; to bridge the divides that physical distance has put between us.

Uber, Airbnb, Google have learned to [harness the value and power of digital networks](#). Whether we agree with their [business ethics](#) or not, these companies act as network orchestrators.

Network orchestrators deliver value through connectivity - they act as, or provide a platform that participants can use to interact with others to sell products, build relationships, share advice, give reviews, collaborate... They create and value opportunities for connection.

Being clear on the value proposition of your network will help articulate it when applying for funding. Here are some tips from the authors of *Connecting to Change the World*:

- **Anticipate funder questions about networks and be ready to answer them:** most funders are not familiar with networks and the idea of funding one may make them uneasy. Displaying network building sophistication may help develop their confidence in your network.
- **Show funders the monetary value of members' voluntary efforts:** often members' time is the main 'cost' of operating a network. If this is monetised and shown in the network budget as a cost and in-kind revenue item, potential funders can recognise the commitment and financial value their investment would leverage.
- **Pitch the potential impact of your network, not its network-building process:** collective impact is the network's comparative advantage in seeking funding.
- **Seek joint funding with members** where there is competition for funds between the network and its members.

To drill down into the value proposition of your network, it could be useful to test the PIVOT method - a set of questions putting the emphasis on networks rather than products and services.

1. **P**inpoint your current business and mental models
2. **I**dentify all your 'assets (both tangible and intangible)
3. **V**isualise your future network business model
4. **O**perate your new network business
5. **T**rack your progress and performance

Read more and test out the process [here](#).

Questions

- How can your organisation / group become a 'network orchestrator' for the community business sector?

- Have you tried methods similar to PIVOT before, and if so what has been your experience?
- Sharing vs taking economy question

4 The cost of running a network

Running a network, you will incur two main types of cost:

- **Operational:** fixed and inescapable, geared at building the network's capacity.
- **Project:** What it takes to fund the network's various collaborative activities.

Initially, operational costs will probably form the bulk of the network's expenses. These will include:

- **Convening:** e.g. travel expenses, meeting space, food and accommodation, meeting facilitation, materials to bring members together. Members can absorb much, but not necessarily all, of this cost. These costs can get high enough that they become prohibitive for some members. This is especially true during the network's start-up phase, when members can see what the cost of participating will be, but can't be sure what benefits they'll get.
- **Staffing** e.g. coordination of network logistics, higher-skill operational and strategic management tasks, accounting and other necessary services. Sooner or later this cost must be addressed, and it is sure to rise as the network becomes bigger and more ambitious.
- **Communicating** e.g. conference calls, websites, software and other tools enabling members to engage with each other. There are many free conference calling tools, email services etc... However, as the network grows and becomes more active, real money will have to be spent to ensure effective communications to prevent jeopardising member-to-member connections.

From Connecting to Change the World (2014), Plastrik, Taylor and Cleveland

Questions

- What are the main costs involved in running your network? Are there any that aren't mentioned above?
- Do you agree with the operational / project split? Are there any other ways you categorise your network's costs?

5 Revenue: models and key issues

Most social impact networks start with a lot of hope - but not much of a budget. Indeed, there is no magic formula or standard business model for funding a network - the suggestion offered by the authors is to be opportunistic: “look for funds here, there and everywhere”².

But what does this mean more specifically? Below we map out what options are out there to generate revenue for your network. With time, you’ll probably find that the revenue blend needed to support your network might change, according to its aims and activities.

Grants

Whether from government, trusts or foundations, grants can be a welcome injection of revenue into networks. Most funders will want their funding to achieve impact, however, not just build capacity. It’s therefore important to show that networks can produce a collective impact often unavailable to single organisations.

Membership

Asking members to pay dues tests how much importance they place on being in the network. This can be a high hurdle early on, when it’s not yet obvious to members that being in the network will generate value for them or their organisation. It makes sense though, that at least small portion of a network’s budget should come from its members, instead of relying entirely on outside funding. It can also show external funders that members are committed and value the network.

Partnership

Developing projects with outside entities allows a network to tap the outsiders’ expertise and in-kind services. If the project is funded, the network can share in the resources.

Sponsorship

Some networks turn to outside entities, particularly corporations, to sponsor some or all of their activities. A potential sponsor is interested in obtaining a favourable visibility with network members (and their networks) or enhancing its public brand by associating with the network. For some networks, sponsorships may be problematic because of the potential perception that the network has been co-opted - “bought” - by the sponsor.

Big Data

As a network, the information / data you collect about your members, their activities and their own networks can be harnessed as a valuable revenue stream. As well as helping you tailor

² *Connecting to Change the World* (2014), Plastrik, Taylor and Cleveland, p. 59

your value proposition for your members, this data could be a valuable product for your network to sell, whether in raw data or analysed format. In order to do this, you would have to carefully consider the ethical issues around providing your members' data, and also check to what extent your resources would allow you to collect and process data.

Asset sweating

If your organisation owns assets, generally land and buildings, they could be the basis of another revenue stream e.g. through renting.

Accreditation

Membership of some networks (particularly professional networks) can act as a way of verifying the member and adding value to them (usually at a cost). Accreditation can generate value for the network, establishing your organisation as a network leader, as well as placing it at the centre of a web of professionals in your sector.

Selling services

Slightly less common for networks, this revenue stream allows networks to produce value for customers and collect revenue.

Adapted from *Connecting to Change the World* (2014), Plastrik, Taylor and Cleveland

6 Capital

As for other organisations in the social sector, it's important to consider that as well as revenue, your network may need working capital. This can be gathered by bringing together surplus from revenue funding, or, depending on your legal structure, by people investing in your organisation.

An example are [Community shares](#) - these provide share capital to co-operative and community benefit societies.

Especially at the beginning of a network, there may be a lot of "sweat equity" involved, i.e. staff and member volunteer labour.

7 Case Studies

Case study: Permaculture Association

The Permaculture Association is a network promoting permaculture as a thinking system. It supports a peer network of UK and international permaculture projects, and encourages cross-pollination between permaculture and other networks.

Their initial funding came from large donations from supporters. Because permaculture was viewed as quite radical, it was hard to get grant funding! As the association developed, however, they began to diversify their income. They supplemented grant funding with charitable trading activities. These include courses, membership and events.

CEO Andy Goldring shared tips around creating a sustainable business model for the network:

- Be entrepreneurial - grants don't cover everything
- It's easier to get grants when you don't depend on them to survive
- Hire people on the basis of ethics and entrepreneurialism
- Create systems for money and accountability that run across all activities
- Involve everyone in enterprise development
- Regularly reflect on your model: what do we have? What do we develop?

You can find out more about the [Permaculture Association](#) and their business model in their [annual review](#).

Case study: Community RePaint

Community Repaint is a network of community projects integrating waste paint in their activities. It is funded by the paint company Dulux and coordinated by environmental consultancy Resource Futures.

Its funding model marries commercial with community interest. Dulux is able to bolster its Corporate Social Responsibility activities whilst also pre-empting the effects of regulations around waste. At the same time, community groups receive support and resources they would not otherwise have access to.

The company's ability to provide a steady funding stream has allowed Resource Futures to focus on network coordination and support.

Read more about [Community Repaint](#) and [Resource Futures](#).

Case study: Bristol Green Capital Partnership

This partnership between sustainability stakeholders in Bristol was set up with a view to apply for Green Capital status in 2015.

Initially, funding was provided by the council for a part-time coordinator. As the partnership's potential became clear, actors from the private, public and third sector include Bristol City Council, Bristol University, Triodos Bank, Resource Futures, Wildlife Trust and others provided funds to support the partnership. Contributions were voluntary and based on the organisation's size and capacity. The partnership now employs a Chief Executive and Operations Manager. It is able to provide opportunities for organisations to collaborate on projects, skillshares and student placements - which individual organisations would not be able to carry out on their own.

Read more about [Bristol Green Capital partnership](#).

Case study: The Community Action Group Project

The Community Action Group (CAG) is a local authority-funded network supporting the emergence of community social enterprises in Oxfordshire. Initially funded through the Landfill Credit Tax, it is now completely local authority-funded. The council recognises the many ways in which the project helps it achieve waste reduction, community cohesion and healthy eating targets.

Despite the beneficial partnership, local authority money is drying up, and therefore the network is now looking to develop other sources of income. Membership fees would not be ideal: those groups most likely to be able to pay are also those who would need the least support. An alternative could be commercial opportunities e.g. partnerships with local businesses.

Read more about [CAG Oxfordshire](#).

