

Module 2. Infrastructure

After having thoroughly worked on the first and very important elements of the canvas model that were mentioned in the previous module, such as the value proposition, the customer segment and the distribution and communication channels of the venture, you are now ready to start working on the three elements that make up the infrastructure block in order to take a closer look at some characteristics and how to work on each one of them.

The infrastructure block is made up of the following elements:

- Key resources.
- Key activities.
- Key partnerships.

Resources and activities will be developed in Unit 1 of this reading, and key partnerships will be developed in Unit 2.

Unit 2.1 Resources and Activities

Determining if a resource, activity or partnership are key is not an in-the-moment decision, but requires a thorough analysis of all that has been learned so far.

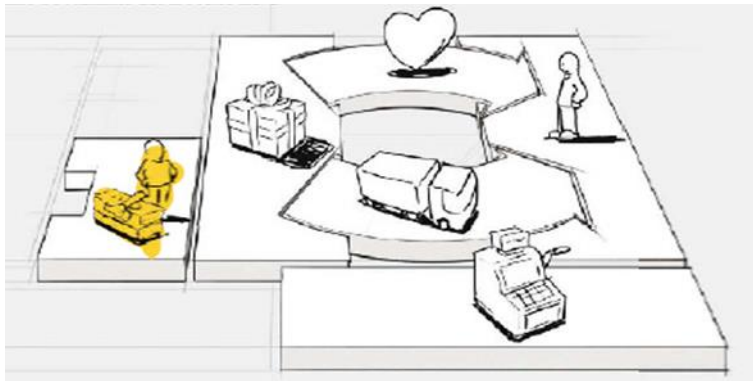
You may be convinced that a certain person or activity is important for the project; however, the different validation phases will give you different information that you should reconsider at this point, especially considering that, if something is key (resources, activities or partnerships), you are likely to consider long-term linkage situations. This confirms that a thorough evaluation of the business model is necessary at this stage.

2.1.1 Key Resources

This element identifies and describes the most important assets you need to consider in order to make your business model work.



Figure 1: Key Resources



Source: Osterwalder and Pigneur, 2011, p. 34.

All business models require key resources that enable companies to create and offer a value proposition, reach markets, establish relationships with customer segments and earn revenues. Each business model requires different key resources. (Osterwalder and Pigneur, 2011, p. 34).

Osterwalder and Pigneur, in their book *Business Model Generation* (2011), describe key resources in the following categories.

Table 1: Physical Resources

CATEGORY 1	DESCRIPTION	OBSERVATIONS
PHYSICAL	This category includes physical assets such as manufacturing facilities, buildings, vehicles, machines, systems, point-of-sales systems, and distribution networks (Cervato, 2015).	Generally, for Internet businesses, physical resources refer to computers, servers (which are outsourced to third parties, such as Amazon) and offices (which can also be outsourced by hiring a coworking space).

Source: Own elaboration, 2020.



Table 2: Intellectual Resources

CATEGORY 2	DESCRIPTION	OBSERVATIONS
INTELLECTUAL	This category includes brands, proprietary knowledge, patents and copyrights, partnerships, and customer databases (Cervato, 2015).	For a certain type of project, the patents are fundamental. For example, in scientific studies launching a new formulation on the market. In other cases, especially when it comes to software, it is not essential to patent, since the market is very dynamic and it would be meaningless.

Source: Own elaboration, 2020.

Table 3: Human Resources

CATEGORY 3	DESCRIPTION	OBSERVATIONS
HUMAN	In creative and knowledge-intensive fields, human resources are vital (Cervato, 2015).	For technology-based companies, software developers are a critical, scarce and hard-to-find human resource.

Source: Own elaboration, 2020.

Table 4: Financial Resources

CATEGORY 4	DESCRIPTION	OBSERVATIONS
FINANCIAL	Some business models call for financial resources and/or financial guarantees, such as cash, lines of credit, or a stock option pool for hiring key employees (Cervato, 2015).	As an example, we can cite the telecom manufacturer Ericsson, who provides an example of financial resource leverage within a business model. This company may opt to borrow funds from banks and capital markets, then use a portion of the proceeds to provide vendor financing to equipment customers, thus ensuring that orders are placed with Ericsson rather than competitors (Cervato, 2015).

Source: Own elaboration, 2020.

Some important questions to ask yourself are the following:



*Of all the resources (in every sense), which were key to getting here?
Which of them do I assume will be key in the next instance, in which we will be looking for
the fit between product and market? Why?*

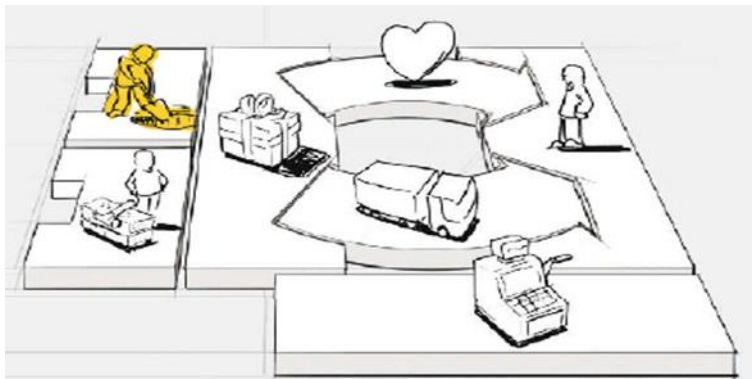
Arriving at these definitions is also part of the test that must be validated along the way prior to scaling up.

2.1.2 Key Activities

“This element of the Canvas model describes the most important actions a company must take so as to make its business model work” (Osterwalder and Pigneur, 2011, p. 36).

All business models require a series of activities that are key or fundamental to the success of the company. For example, Microsoft’s key activity is software development, while the key activity of PC manufacturer Dell is supply chain management.

Figure 2: Key Activities



Source: Osterwalder and Pigneur, 2011, p. 36.

According to Osterwalder and Pigneur (2011), key activities can be divided into the following categories:

a. **Production:**

- Activities related to designing, making, and delivering a product.
- Production activity dominates the business models of manufacturing firms.

b. **Problem Solving:**

- Activities related to coming up with new solutions to individual customer problems.
- Some examples are the operations of consultancies, clinics and hospitals, among others; in other words, any business related to the solution of problems.

In both the production and problem-solving stages, you should ask yourself the following:

What are the activities that, if we do not do them, we cannot deliver our value proposition to our customer?



Unit 2.2 Key Partnerships

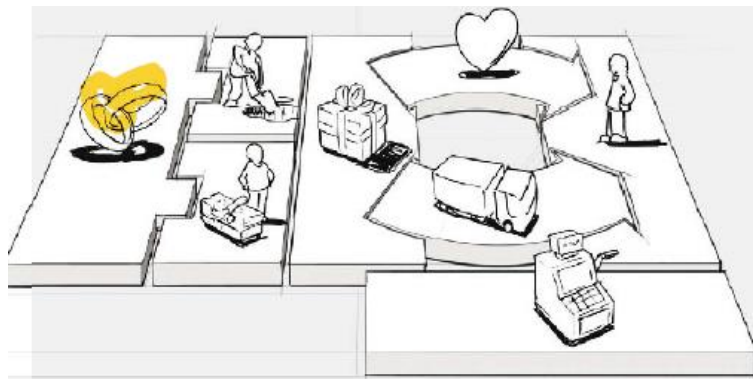
“This element describes the network of suppliers and partners that contribute to the operation of a business model” (Osterwalder, and Pigneur, 2011, p. 38).

In general, companies create alliances to optimize their business models, reduce risk, or acquire resources (Cervato, 2015).

Osterwalder and Pigneur (2017) describe four types of partnerships:

- 1) Strategic alliances between non-competitors.
- 2) Competition: strategic partnerships between competitors.
- 3) Joint ventures to develop new businesses.
- 4) Buyer-supplier relationships to assure reliable supplies.

Figure 3: Key Partnerships



Source: Osterwalder and Pigneur, 2011, p. 38.

What are the reasons that may give rise to alliances or partnerships?

Let's consider some of them:

- Optimization and economy of scale

Alliances or partnerships motivated by optimization and economy of scale are usually formed to reduce costs (Cervato, 2015).

- Reduction of risk and uncertainty

These partnerships are also used to reduce risk in a competitive environment characterized by uncertainty (Cervato, 2015).

- Acquisition of particular resources and activities

Such alliances or partnerships can be based on the need to acquire knowledge, licenses, or access to customers. A mobile phone manufacturer, for example, may license an operating system for its handsets rather than developing its system, just as a company developing GPS devices for monitoring athletes may choose to rely on independent brokers to sell its policies rather than develop its own salesforce. (Osterwalder and Pigneur, 2011, p. 39).



References

Cervato, N. (2015). Capture and evaluation of the business model of Milena pastas artesanales (Master's thesis, National University of Córdoba, Argentina). Retrieved from https://rdu.unc.edu.ar/bitstream/handle/11086/3393/CERVATO%20Trabajo_Final%20PDF-1.pdf?sequence=1

Osterwalder, A., and Pigneur, Y. (2011). *Canvas. Generación de modelos de negocios* [Canvas. Business Model Generation] (pp. 20-43). [The Startup Owner's Manual.] Barcelona, ES: Deusto.

