

Guide for the development of inclusive business based on closing the life-cycle of waste

Business opportunity in the abundance of waste
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Minka-Dev offers consultancy to apply this methodology. If your company is interested in this service write to info@minka-dev.com

About the organizations

Related to this guide development

Emerging Market Multinationals Network for Sustainability (EMM Network), is part of the Emerging Market Sustainability Dialogues (EMSD) initiative. It is a network of think-tank agents of change and decision-makers, multinational corporations and banking sector members which seek for generate and foster cooperation channels among emerging and industrialized countries on sustainability, business and finance issues through consulting, research and joint projects.

La Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) is an enterprise who provides services worldwide in the field of international cooperation for sustainable development. GIZ has over 50 years of experience in a wide variety of areas, including economic development, employment, energy, environment, and peace and security. Together with its partners, they work to deliver effective solutions that offer people better prospects and sustainably improve their living conditions.

Bonafont, is a company belonging to Danone. One out of the largest food-products corporation worldwide. Bonafont is a market leader in bottled water in Mexico and has been the main promoter of healthy hidration with its more than six plants and more than 4500 employees throughout the country. Bonafont is a company committed to social development and environmental care through important Social Responsibility programs such as "Proyecto de Reforestación de Manglares en Oaxaca y Chiapas" ("Reforestation of mangroves in Oaxaca and Chiapas project"), "Proyecto de Reciclaje y Apoyo a Pepenadores" ("Recycling and waste collectors supporting project"), and the "Proyecto ECOALBERTO" (ECOALBERTO project), focused on carrying drinking water and creating job opportunities in the indigenous community of El Alberto, Hidalgo.

Minka-Dev¹ (www.minka-dev.com) is a social enterprise founded in 2010. Its international approach involves operative presence in Spain, Colombia and Mexico. Minka-Dev fosters inclusive businesses through a social innovation perspective and by generating strategic alliances. Thanks to its Think and Do Tank and virtual platform (marketplace), identifies businesses opportunities which create more social and environmental value and attract interested companies, then, Minka-dev accompany them in the resulting business structuration.

Minka-dev's tools, algorithms and methodologies seek to connect necessities related to poverty reduction and environmental care objectives with market trends in order to turn them into more inclusive, innovative and sustainable business opportunities.

¹ Our company's name comes from Minka, a quechua word that refers to a model of collaborative development; and from Dev, short form of the English word "development".

Executive Summary

From the efforts of EMM Network to implement solutions to sustainability related challenges, Minka-Dev teams up with GlZ to analyze the Bonafont's experience in order to identify elements and learnings that make it potentially replicable in other emerging countries' companies. This guide, as those effort's product, is a tool for companies seeking to develop, strengthen and replicate their inclusive business models based on recycling and on closing the life-cycle of waste.

Within this framework, the Bonafont's experience with waste collectors was analyzed as a company's emblematic initiative looking for a positive social and environmental impact related to the very core of the business.

As you would notice by reading this guide, the experience's analysis considers several phases in order to identify the model's vicious (inefficiencies) and virtuous (dynamics for superior value creation) circles -both in the theory and the practice-, as well as to evaluate its effectiveness, to recognize ideal contexts and to identify elements that could be regarded as a referent for different actors interested in this kind of initiatives.

For this project development, an assessment of which generates more value in the process was made by using a methodological tool designed by Minka-Dev 2, and focusing on the specific case of inclusive recycling encouraged by Bonafont.

The analysis' results lead us to identify the elements which can be extrapolated for this kind of business construction in other companies, both in those belonging to EMM Network and in those interested in developing business models based on inclusive recycling.

In this sense, this guide is expected to be useful for whoever is interested in the development of economic inclusion models from an innovative, competitive and sustainable approach with a different view, focused on business opportunity through recycling.

2. Such methodology is based on Juliana Mutis Marin's Cum Laude PhD thesis (2011) "Reproduction of business in poverty contexts: identifying ideal models from evaluating superior value creation sources and transference mechanisms". Universidad Politécnica de Cataluña.

Case summary with Bonafont's waste collectors

Danone Mexico Group, through Bonafont and with resources both from this water bottling plant and from Danone Ecosystem Fund, has promoted the Project with Waste Collectors with a double goal: to reach for the waste collectors better working conditions aimed at improving their life quality, and to increase the crystal PET bottles supply for its incorporation to the bottle production line.

With that purpose, in June 2012, a Transference and Recycling Station (Estación de Transferencia y Reciclaje -by its initials in Spanish, ETyR-) was built. It is operated by Promotora Ambiental de la Laguna S.A. de C.V. (PASA -by its initials in Spanish-) who co-invested with Bonafont in strengthening a business that enables to improve recycling materials collection like, above all, plastic, aluminum and metal, paper and cardboard.

In the ETyR, waste collectors would do their work in a safe and appropriate environment, provided with shade, bathrooms and coexistence spaces. Mundo Sustentable, from PASA Foundation, also takes part in the project. They used to take care with of waste collectors social assistance, establishing alliances with the local actors for the waste collectors to have medical and psychological assistance, participate in health brigades and have the opportunity to finish their elementary and secondary instruction.

This project has enabled us to generate interesting learnings, as well as to face big challenges. Project's achievements are grounded in decisions made in order to favor human capital based on shared values and in the ability to identify and add up the suitable allies for each stage of the process. Nonetheless, the great absent was the local government (Municipio) who is currently trying to cancel the license given, in the first place, to PASA in order to operate the ETyR. Even though this issue is being worked out in the courts, at the moment, the local government is running the ETyR without the social and human development activities done by Mundo Sustentable and PASA.

While reading this document you'll find some text boxes named "Bonafont case" where there are some examples from the Bonafont's experience to illustrate the usage of this guide's tools.

Changing the paradigm

From necessity to opportunity

In an increasingly competitive world, enterprises look for innovative schemes to positively differentiate in the consumer thoughts. In this regard, business with contexts of poverty and environmental inefficiencies emerged as an innovative alternative to develop products and professional services with added value.

Social and environmental context constraints demand the offer of innovative solutions in order to efficiently tackle them in a sustainable and efficient way.

The search for sustainability is already transforming the competitors' landscape, which forces companies to change their thinking about products, technologies, processes and business models. Key for progress is, especially in times of economic crisis, innovation.

New business models based on collaborative, circular, green and inclusive economies are increasingly pushing big enterprises to make their structures more flexible in order to favor this kind of initiatives which small and medium-sized companies have created in a more dynamic way.

Constraint conditions and the opportunity to develop the market and to change the paradigm are, precisely, which allow business with contexts of poverty and environmental inefficiencies to become an important source of innovation.

This guide development take Bonafont's waste collectors case as an example since it offers learnings from both successful real experiences and difficulties. Moreover, through this case it is expected to lay the foundations that will allow to close the life-cycle of the company's own products and to create a whole ecosystem of actors that increase the inclusive recycling scope.

In this sense, to the extent that the Project with waste collectors is included in the sector and builds an innovation ecosystem, it may turn from a social inclusion initiative to an opportunity to explore business models in which the company can enter. PET high impact on the environment and on the economically disadvantaged population that depend on it for survival are directly related to the Bonafont's business activity ecological footprint.

Innovation is a source of competitive advantages for the companies. Exploring new models related to the social and environmental impact of the company's core business may lead to a sector's transformation in which, afterwards, the company could influence and invest.

The increasing resources destination from the governmental programs and international organisms aimed to promote inclusive businesses, as well as the environmental commitments and their social consequences extensively addressed at The United Nations Paris Climate Change Conference and the 21st session of the Conference of Parties (COP21) in December 2015, demonstrate that the change of paradigm in companies, societies and governments is upon us. Emerging countries may be the more vulnerable to the social and environmental challenges, but at the same time, they stand higher chances to innovate within this challenges and to develop new markets. These contexts offer a fertile ground for disruptive innovations since they represent necessities and inefficiencies potentially considered as a residual market but representative, as well, of a great opportunity to generate new models, products and services which are able to surpass the former ones.



CHAPTER 1

Paving the way

For whom is this guide?

This guide is specially addressed to **companies willing to develop business based on inclusion models and waste recycling**, and interested in grasping the learnings, challenges and strengths of the Bonafont's experience in order to implement their own models.

It will be particularly important for those companies looking for innovating and increasing their competitiveness by developing or strengthening business models based on waste recycling, since it will help to improve the processes and to make stronger the value chains related to the use and utilization of this resources while improving the quality of life of vulnerable population.

It is also relevant for those companies willing to swift to a circular economy scheme, for those who want to reduce their environmental impact

or those who have decided to implement Extended Producer Responsibility (EPR) based policies which extend their responsibilities as manufacturer up to the end of their products useful life.

In the same way, this guide offers indicative elements for those companies that generate waste that may be reused and generate value, but haven't yet succeed to implement a suitable initiative, or that might like doing it from an inclusive and innovative approach.

Likewise, it is relevant for some other ecosystem actors interested in developing, accompanying or grasping triple result initiatives using an innovative and competitive approach, through an inclusive business model and based on circular economy schemes.

What you will find in this guide

There are many challenges when considering the development of innovative, competitive and inclusive models. There are, for instance, barriers that have hampered the replication of inclusive initiatives or its continuity. Thus, this is a calling to consider this model type development from a different point of view.

In this guide you will find, as well, the “systemic approach” concept that refers to the development of methods and processes which consider a business model as a product of made decisions, and take account of its related effects. In addition, they are not static models but dynamic with an integral context.

The Bonafont’s case with waste collectors, besides being an initiative to encourage social inclusion, it promotes business opportunities in which different types of companies could enter. The approach of environmental, social and economic problems from the opportunities that surround them serves as a framework for this guide.

What is it needed?

Information

This guide requires the team that will implement it to possess a comprehensive understanding of the life cycle of the products, and of the generated waste by manufacturing and consuming them. It is also necessary a solid knowledge about the organizational functioning and the role of the different actors involved in the different phases of the value chain. So, it is recommended that the team implementing this guide has access to the following information, besides the whole documents that may be relevant to complete such vision:

- A quality assurance system
- Environmental management information
- Information that permits to identify the life cycle of the products and company's generated waste, as well as some other types of waste generated by other companies that may be interesting.
- Costs of the products that will be later be waste and/or costs of disposal or waste recycling
- Organization chart and roles

Facilitator

The initiative's implementation requires the involvement of a facilitator who knows the complete route to be followed and who guides the conversation through questions designed for each specific case in order to make the most of the team's profile diversity. The facilitator questions and comments will be decisive in order to accomplish good results in each stage and to create a solid model. The facilitator must have a deep knowledge of the methodology and of significative conversation hosting in order to promote dynamic discussions and to propose ideas in a clear and complete way within every product in this guide.



What is it needed?

Team

The methodology potential reaches its peak when implemented in a 3-5 people team. A multidisciplinary team that includes different company's departments and other interest groups is ideal. Even if an initiative that comes from the corporate social responsibility division is expected, it is necessary the other departments' vision.

Adequate space

It is recommended to implement the methodology in a large, ventilated, well-illuminated space, with chairs and tables that can be moved according to the team's necessities, and walls that allow to stick sheets of paper that will be the working canvas.

Materiales

- Post-its of 3 different colors (3 blocks from each color)
- Sheets of paper (5 for each stage, approximately)
- Walls or boards to stick the sheets of paper with the post-its
- Pens.
- Masking tape

Time

It is recommended to implement the guide in 4 sessions of 4 hours each. It is not recommended more than one session a day.

According to the complexity of the analyzed information, it might be necessary to leave some days in between working sessions in order to think about and assimilate the resulting information from them.

Bonafont's case relevance to direct this guide's usage

While using this guide, you will be able to notice that the Bonafont's project with waste collectors is used to guide the different tools implementation.

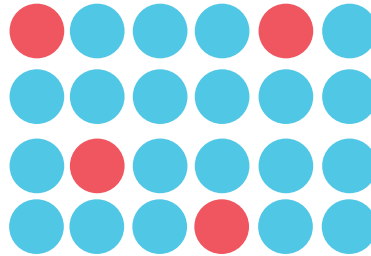
Thanks to the acquired systematization of knowledge, this case is especially relevant due to its capacity to illustrate the different stages within the inclusive business construction based on waste recycling. Its evolution contributes with learnings from success, challenges and difficulties.

Bonafont's case had specific conditions that may not represent the interests and situations of the companies willing to enter to this kind of business, but that are useful to demonstrate this guide's applicability through an actual and concrete case.

The approach used for this guide instrumentation

How to find opportunities
among the problems?

In the next chart, what do you see the first?

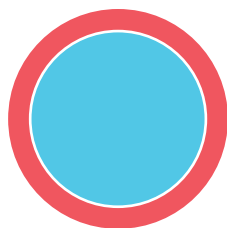


In a system with several situations, the first ones to be naturally identified are those that are not doing as we expect, those that are frustrating, problematic, inefficient, etc. (it is very likely that you have first identified the red points).

For a system to continue working, solutions are proposed through problems recognition. It is said that by well defining a problem, you've solve the half of it, and normally, it is common to think that the more you understand the problem, the better you will deal with it.

What has been little taken into account so far are the blue points, those who represent the resources, skills, learnings, success and aspirations. Blue points are also part of the system and, sometimes, are more than the red ones.

Solutions can be found in the "blue points", in the successes, resources, learnings, aspirations, and in the way in which these desired situations are inside the problem's situation. Both aspects, the desired and the inefficient ones, are part of the same reality. This is the appreciative approach.



In this way you will find:

- ─ The opportunity in the problem
- ─ The aspiration in the frustration
- ─ Waste Products/Markets

How is the appreciative approach related to the development of social and environmental impact business?

The constraint conditions that lead to the necessity of changing paradigm are, precisely, what allow the business in poverty contexts and environmental inefficiencies to become an important source of innovation.

From the Business Model. Dynamic.

The systemic approach in the business model structuration developed by Minka-Dev allows to comprehend the way in which the model creates and capture value in relation to its own context and the actors interacting. Model's inefficiencies are identified as well as the decisions that created value and burst into those inefficiencies, also known as "vicious circles".

This kind of analysis is especially relevant in business with poverty contexts and environmental inefficiencies where is necessary an increased interaction with other allies. This situation allows to influence in the market gaps to reach the objectives, capture actors' value, and strengthen local resources to turn them into models, products and competitive, sustainable and different services.

From the appreciative approach

The appreciative approach is a changing strategy that identifies the best features of "what it is" (for instance, Bonafont's case with waste collectors), and explores the opportunities of "what could it be" (this guide).

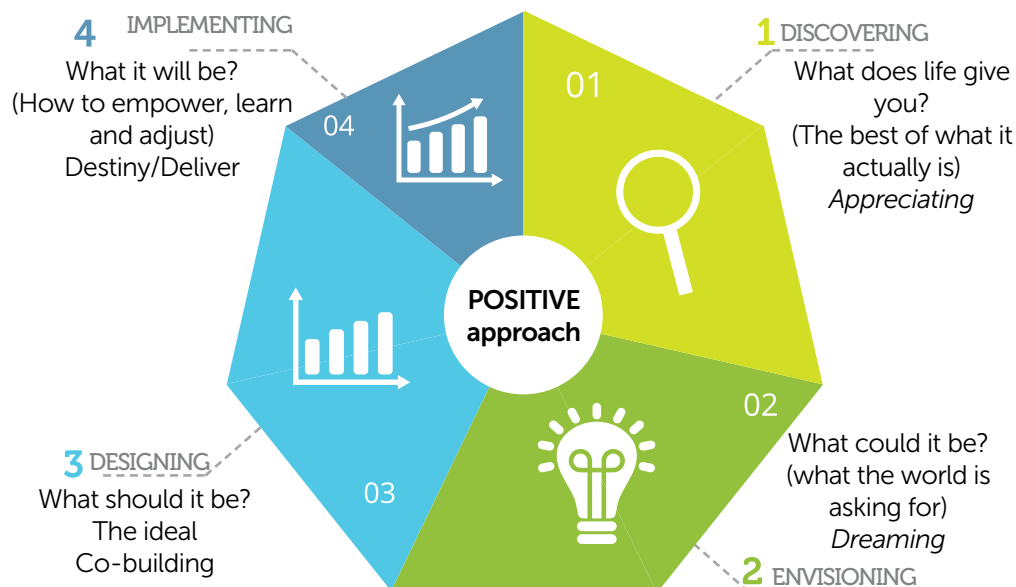
It is made up of four components:

- **Discovering:** Identifying the organizational processes that work well.
- **Envisioning:** Imagining the processes that might work well in the future.
- **Designing:** Planning and prioritizing those processes.
- **Implementing:** Executing the actions that allow to carry out the proposed design.

This guide works within this framework.

DEFINING

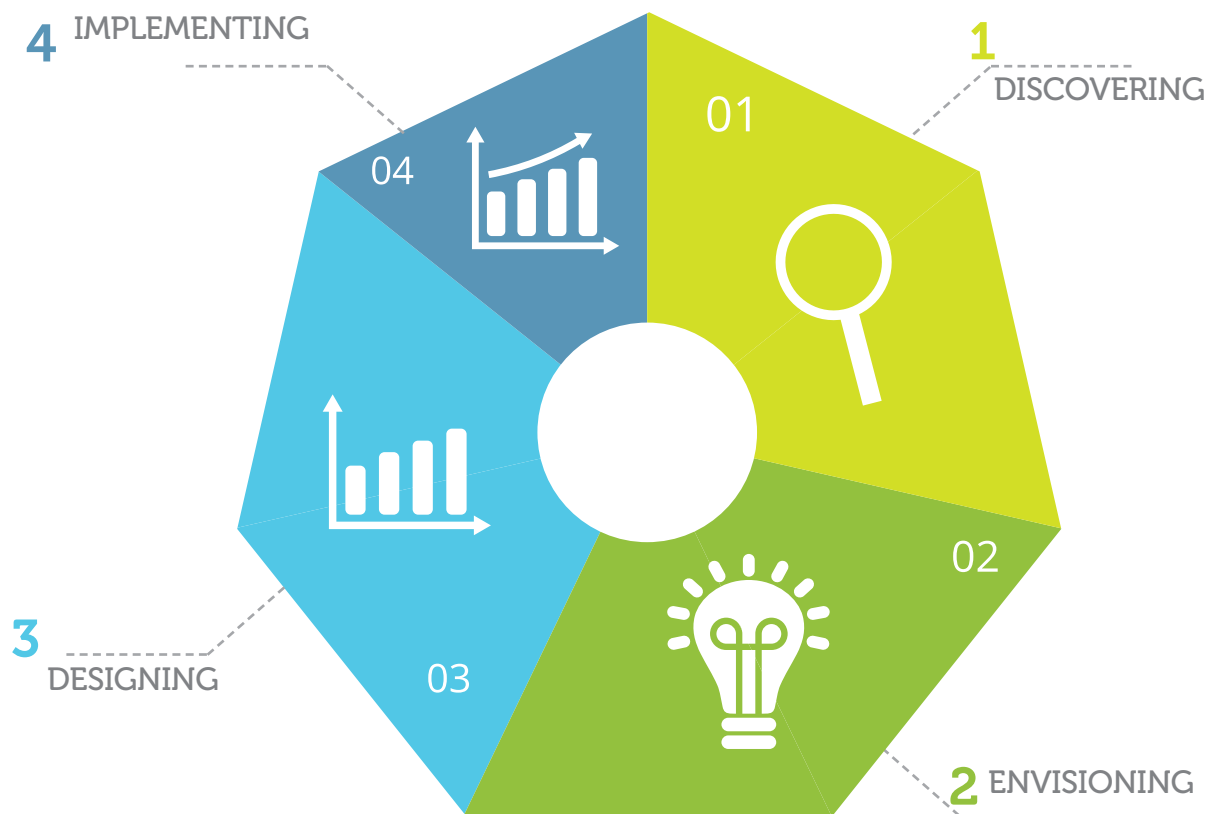
What's the focus of the question?
(Positive approach)
Clarifying





CHAPTER 2

Starting opportunity
route on the waste



1. Discovering competitive and innovation potential on waste.



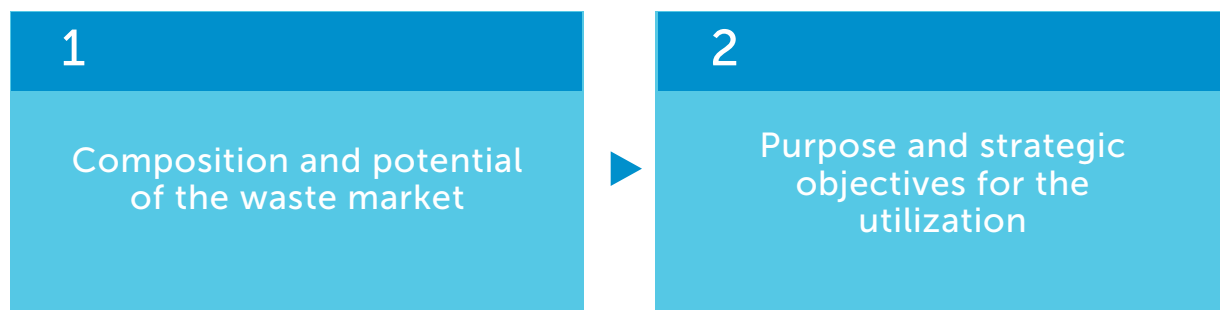
Discovering phase consists in the recognition of what it is working well and to appreciate the best in the reality that is being faced, by focusing in the best experiences and in the potentials of success. In this way, opportunities into the problems and aspirations into the frustrations will arise.

In terms of waste recycling, it is about to identify elements that allow to find the existing business opportunities in waste recycling; recognizing the way to improve their own business processes, or exploring new markets and increasing the benefits (social, environmental and economic).

- 1.1 Identifying waste and its composition
- 1.2 Potential of the waste
- 1.3 Demarcating the purpose

The initial concept of waste is associated with the resultant material afterwards its use or processing. Thus, thinking about waste is to consider costs, expenses, disposition and ways to sort out the "problem".

In order to discover the waste potential since the changing paradigm approach, by using the appreciation, we will go through the following steps:



What is the best that you can get for the business from this phase?

- Identified waste as a business opportunity
- Market connections with environmental issues related to the business operation.
- Tools in order to deal with a business situation from a different perspective.
- Purposes and objectives adopting a win-win approach.
- Recognition of the inefficiencies that might affect the project's good performance in order to achieve the waste recycling strategic purpose.

1.1 Identification of the waste and its composition.

The most of the waste is composed of a great variety of elements due to its origin (process) or its disposition (mixed with other materials).

In the first instance, it is important to identify the waste that your company generates from its own business activities. Classify it according to the canvas showed in the example.

On one hand, there is the generated waste from the development of a production process, and from the very business activity. This kind of waste could be, for example, the used water during the production process or the used paper at the office. This waste generates costs that could be sometimes high due to their intensive use or due to their disposition costs.

On the other hand, there is the generated waste by the company's products when they useful life ends.

This kind of waste is related to the product itself -as a whole or just a part-, and to its life-cycle. We can consider, as well, that waste which is beyond the reach of our company's activity but we want to associate with it.

Besides, there is the other-activity generated waste which might be of interest of the company in order to develop a more innovative product or service, to reduce production costs, or to grow new markets.

Once the waste is identified, it is important to relate it with the type of use which it is linked. Composition, besides identification, allows to determine the existing quantities in order to, afterwards, visualize its impact on the business performance and/or on the connection with other markets.

For example, Bonafont's bottles are related to the use of PET; boxes used by a supermarket are related to the cardboard, etc.

Example. Canvas of generated waste in a business activity

Generated waste in the
business' operation
development and production
process

Generated waste by their own
products when its useful life ends

Other kind of waste
that I want to link to my
activity

USED PAPER IN
OFFICES

PET USED FOR
PRODUCT
BOTTLING

USED GLASS IN
OTHER PRODUCTS'
CONTAINERS

FISHING NETS TO
BE USED AS TEXTILE
FIBER

1.2 Potential of the waste

A- Once the main waste is identified, its dimension should be sized. In front of each identified waste, write down the volume of use and/or disposition and the cost and/or impact (in case that it implies a cost reduction, new products' development, etc.) generated in a fiscal year.

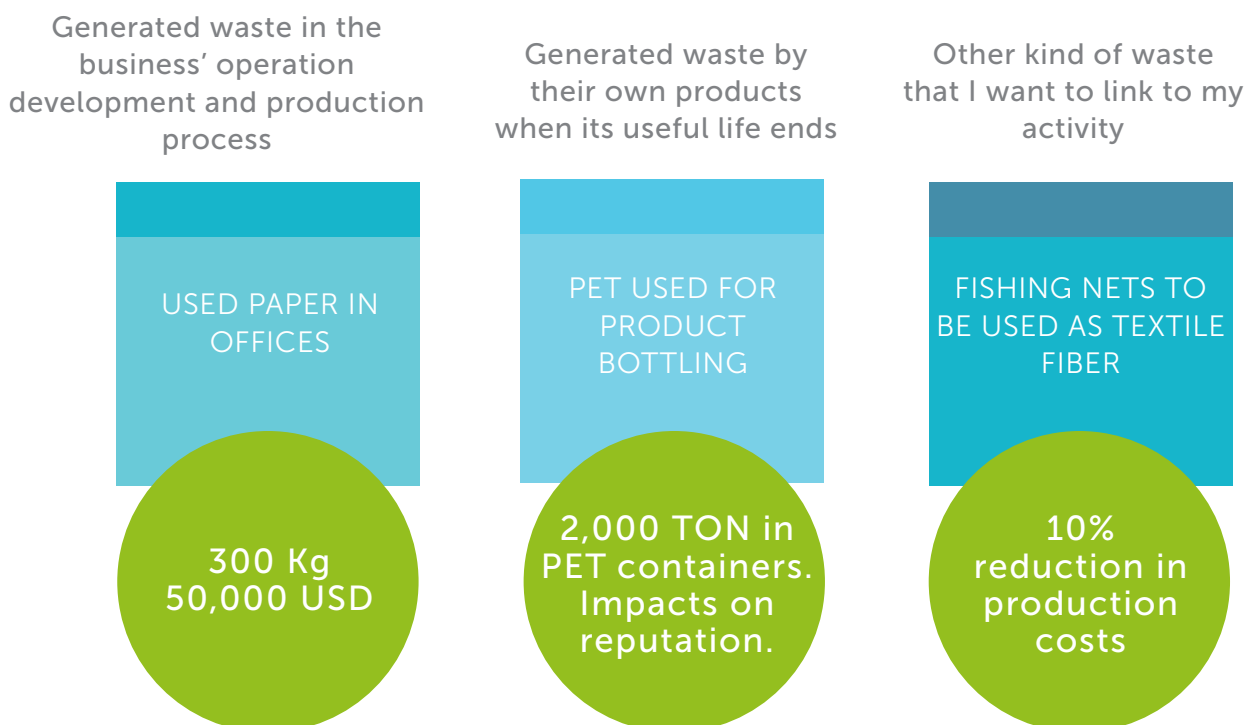
If a waste has impact on any business' strategic field, write it down. For that identified waste beyond the company's activity reach but that is liked to be linked to the business, you will value the impact that could have on the company's strategic performance and/or field.

The impact of the waste in a business could be, among others:

- Securing material supplies
- Increasing business' resilience in regard to difficulties of the supply chain
- Reducing costs
- Reducing disposition costs
- Improving the brand/reputation
- A bigger grow due to cost efficiency
- A bigger value extraction in materials' segregation
- Product lock-in

See template 1 in the Attachments

Example. Canvas of generated waste in a business activity



B- With the identified waste and the quantitative dimensioning of its impact in the business performance, choose one or two wastes that, in your opinion, **could generate the bigger impact in your business** and ask to yourself: Can this be reused? Are there potential markets according to its composition? Does the waste business include population in poverty and/or exclusion conditions?

BONAFONT CASE

In order to continue our example, we will use the PET used in Bonafont's products bottling. The company has a special interest in closing this waste life-cycle to improve the company's production process performance (bottling cost reduction by using recycled PET) and to optimize its environmental impact reputation.

C- Once you selected the waste, write it down on a post-it and put it on the left side of the graphic according to the example below.

D- In a column in front of the post-it where you wrote the selected waste name, you will write the following:

In the first post-it, write down the new products that can be developed from the utilization of that waste. These products are in line with the market trends of the company's current sector.

In the second post-it, write down the uses which the waste may have in new markets. These uses are in line with the market trends of other sectors.

In a third post-it, point out some other uses that waste may have through an extension of its useful life by the company itself or its value chain.

There are cases where the waste doesn't show clear utilization possibilities in any of these scenarios. In the example below, there isn't any PET utilization in the extension of its useful life by the company or in the value chain (third post-it).

In these cases, the post-it that belongs to the impossibility of waste utilization is left blank. Be aware that the utilization alternatives brought up by the two first post-its of this column have a great potential for innovation and for the development of new markets.

See template 2 in the Attachments

Waste type	Waste connection with:	Comments
Used PET to bottle product	.New product- Recycled PET utilization for water bottling	It responds to its own sector market trends.
	-New markets- PET utilization to make textile fiber	It responds to other sectors' market trends.
	-Other utilizations-	It responds to an extension of the waste useful life made by the company itself for its utilization in its value chain. Example: -Boxes used by a restaurant to store food are transferred to small suppliers for them to meet quality requirements when delivering their product. -Water purification to reuse it.



BONAFONT CASE

PET composition of Bonafont's containers allows to specify the uses and market elements, as well as its value and trends. In this case, the resource has been related to the closing of PET life-cycle in order to meet market trends in bottles fabrication from recycled plastic.

Even more, if this met with other sectors' trends, we would have information to lead the way for other companies/sectors that might be interested in PET waste and some other products captured by Bonafont through its project.

Before demarcating the purpose of the project to be implemented with the selected resource(s), it might happen that by linking the resource(s) to the market trends and/or fields of utilization,

you won't be interested in it/them anymore, or, on the contrary, you will be even more interested.

Continue with the following phase with the waste that got the greater consensus.

1.3 Demarcating the purpose

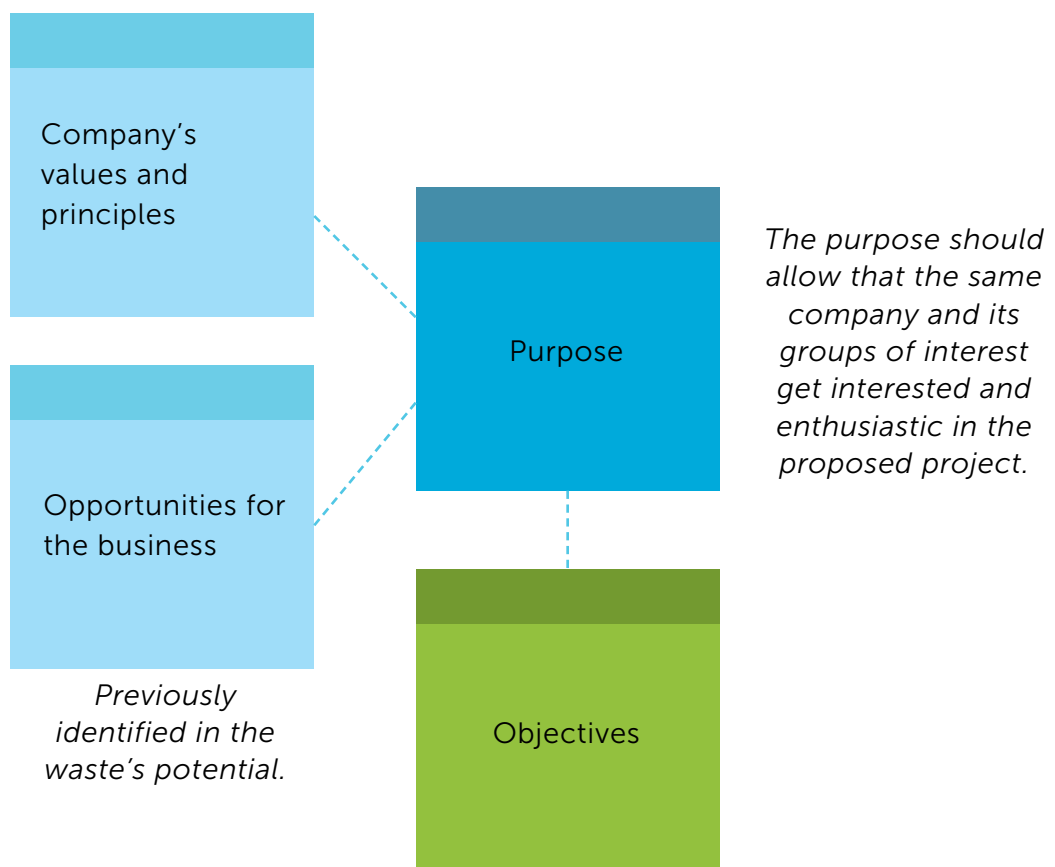
When a situation considered as negative is addressed, changes of perspective should be focused in order to accomplish potent purposes which link the interests of people and organizations involved. These purposes and objectives are related with both the core business and new actions, and, where appropriate, with new allies (or strengthening the existing ones),

who will contribute to the business opportunity development and will face the changes and obstacles to come.

It is very important to consider as many purposes as we can from a wider variety of perspectives; in this way, the common aim will emerge and the specific actions to be made will be better glimpsed.

A- From the waste on which you want to implement your project, build the purpose in the following way:

See Template 3 in the Attachments



B- The purpose is translated in turn into an objective. The objectives are the guide for the whole activities and resources; besides, they allow to determine the potential of certain activities to achieve its purpose within an established initiative.

Probably, the organization has a lot of objectives, but in this phase the focus is on the project's main objectives which are to be addressed.

Do a brainstorm with the following question as a guide:
Which is the purpose of the initiative that we have undertaken?

See template 4 in the Attachments

Example of Objectives' brainstorm

Put the objectives on a board or in a sheet of paper

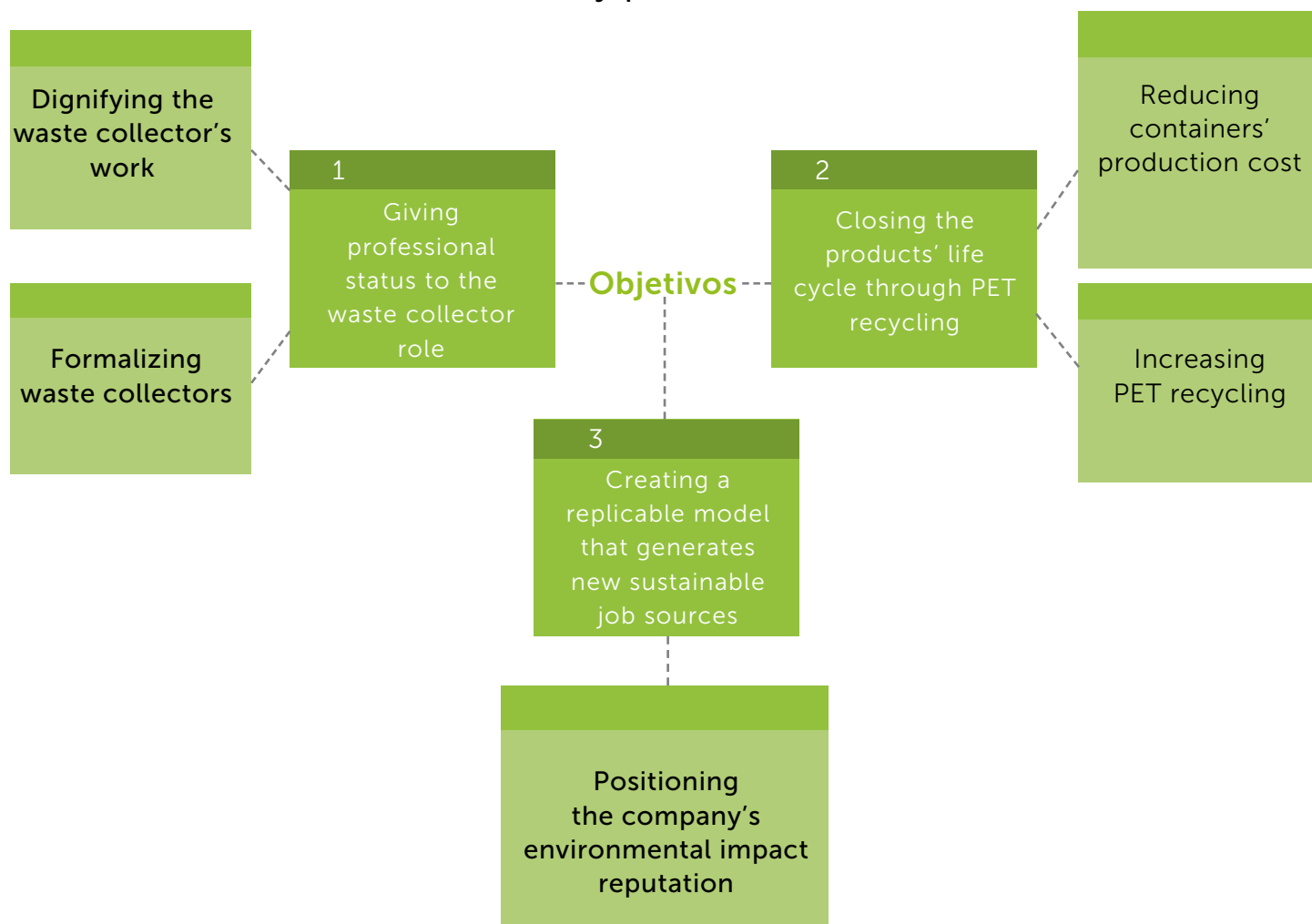


C- Group this ideas by patterns, keeping the common or similar elements in mind, and place the post-its by groups. Each one will have a general objective as title. The rest of them are specific objectives.

D- Enumerate the groups which were formed in the last exercise. The number one will be the most important general objective.

See template 5 in the Attachments

Example of objectives organized by patterns



BONAFONT CASE

The main objectives defined as priority by Bonafont are related to dignifying, and therefore formalizing the waste collectors' job. That's why it should be addressed through the development of a Corporate Social Responsibility project that shows the company's commitment to the traceability of the social and environmental impact of the activities related to its value chain.

This very traceability and the social responsibility undertaken by Bonafont implies a third objective, repetitively mentioned in the secondary sources, that is even more important when related to the global tendency to generate circular economies around produced waste and its utilization in order to integrate it once again, through a closed cycle, into its value chain.

his third objective is, precisely, the closing of the life-cycle of recycled PET that could be used again by Bonafont or other companies. In this way, Bonafont comprehensively attends to the waste collectors' problem: from the subject (waste collector) who is related to the social impact, and to the corporate sector that takes advantage of the resource.

Reaching this objective is fundamental to understand the implications of the model's different interactions and its influence on learning patterns.

Main elements of the Bonafont with waste
collectors' project:



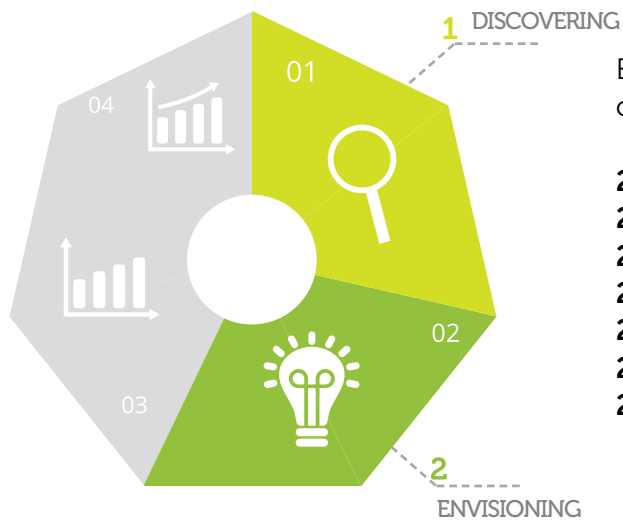
*A sector approach, besides the
value chain one, for Bonafont. It
implies a more strategic approach
and influence on the sector.*

Do you have everything you need to continue?

1. Do you recognize the waste/environmental footprint generated by your business activity?
2. Do you recognize their impact on your business?
3. Do you visualize the potential around the waste re-utilization?
4. Do you appreciate the waste as an element of value generation to innovate, develop new markets?
5. Do you have an idea about the project that you want to develop around the selected waste?
6. Have you established clear objectives from which you can measure the initiative's performance that you will develop?

The next part of the guide will explore the inefficiencies or vicious circles that make difficult to reach this purpose, as well as the decisions and effects that are important to consider in order to burst into those circles.

2. Envisioning

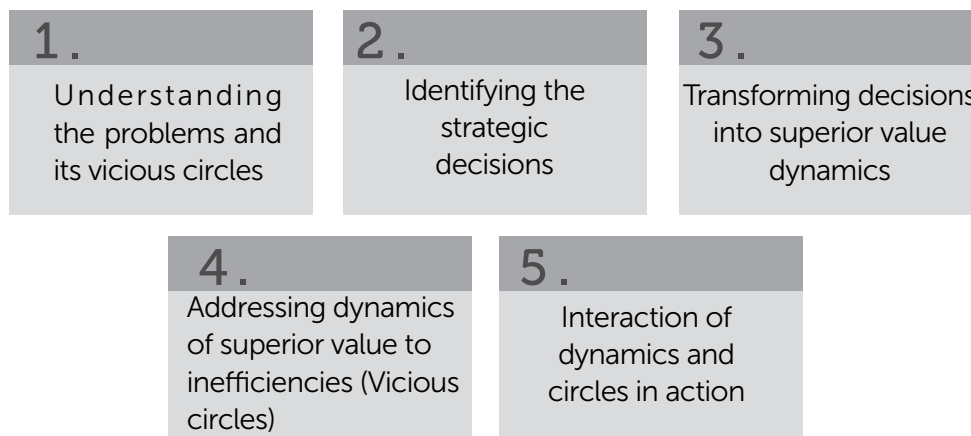


Envisioning consist in **identifying and imagining** processes or new ways that might work out well in the future

- 2.1 Identifying value dynamics of the business
- 2.2 Understanding vicious circles
- 2.3 Identifying the strategic decisions
 - 2.3.1 The systemic impact of the strategic decisions
 - 2.3.2 Relation between dynamics and vicious circles
 - 2.3.3 Classification of the dynamics
 - 2.3.4 Structuring interacting dynamics

In order to identify this new ways, hypothesis will be proposed from the effects generated in the last phase "Discovering". The decision-effect relations move in the way of dynamics

that might work out well in the future, by bursting into the inefficiencies or into the previously identified vicious circles. The path to envision those future scenarios is the following:



What is the best that you can get for the business from this phase?

- Understanding the decisions beyond its punctual action, an action with effects for the business to develop.
- Pre-identifying and simulating the business dynamics that might be generated in order to reach the proposed projects and to break the inefficiencies.
- Understanding the composition of the pre-identify model and the main patterns of the value generation.
- Laying the foundations for a systemic and dynamic model.

2.1 Understanding vicious circles

The purpose of this phase is to identify the negative dynamics and the inefficiencies that could face the initiative; those barriers that impede reaching the stated goals.

Recognizing and understanding these negative dynamics will allow us to design effective and efficient models and, in this way, burst into and interact with them in order to reach the stated goals.

- A-** Choose a post-it color for the problems
- B-** Write down a problem for each post-it
- C-** Place the problems into the problem canvas according to the example below.

See template 6 in the Attachments

Example of Canvas of problems

CAUSES	PROBLEMS	CONSEQUENCES
	Organizational gaps	
	There are no incentives for the local government to promote recycling	
	Recyclable material costs indexed to commodities value prices.	

D- For each problem, ask the following question: which consequences could trigger this problem? Write down the first consequence.

E- After writing down the first consequence, ask the following question: what might trigger this consequence? And so on.

F- Locate the consequences into the problem canvas according to the example. It is possible that some of the problems which were initially located in the central column become consequences of other problems. If that's the case, reorganize the post-its in the canvas.

See template 6 in the Attachments

Example of Canvas of problems with consequences

CAUSES	PROBLEMS	CONSEQUENCES
	Organizational gaps	Waste collectors' low level of empowerment
	There are no incentives for the local government to promote recycling	Tendency of corruption
	Recyclable material costs indexed to commodities value prices	Market responds to a low prices logic, great volume.

G- For each problem, ask the question: why is this problem happening?

H- After writing down the first cause, ask the following question: why is the cause 1 happening? And so on.

I- Locate the causes into the problem canvas according to the example.

See template 6 in the Attachments

Example of Canvas of problems with consequences

CAUSES	PROBLEMS	CONSEQUENCES
Waste collector vulnerability	Organizational gaps	Waste collectors' low level of empowerment
No perceived value in recycling	There are no incentives for the local government to promote recycling	Tendency of corruption
Vulnerability and instability in the market	Recyclable material costs indexed to commodities value prices	Market responds to a low prices logic, great volume.

J- Now you're going to form the vicious circles within each problem, with their causes and consequences. Locate the post-its in a cycle-shape and link them with arrows. Start each cycle with the first post-it on the left from each problem row. Make an arrow from left to right that connects the first idea with the following post-it in the row. Continue this way until the last post-it is connected with the first one. Each vicious circle will have a particular shape according to the number of post-its in each row, but the dynamic will always remain the same.

K- Make a scheme in which the vicious circles are connected with the objectives, showing the way these problems hinder reaching the objective of the to-be-started project.

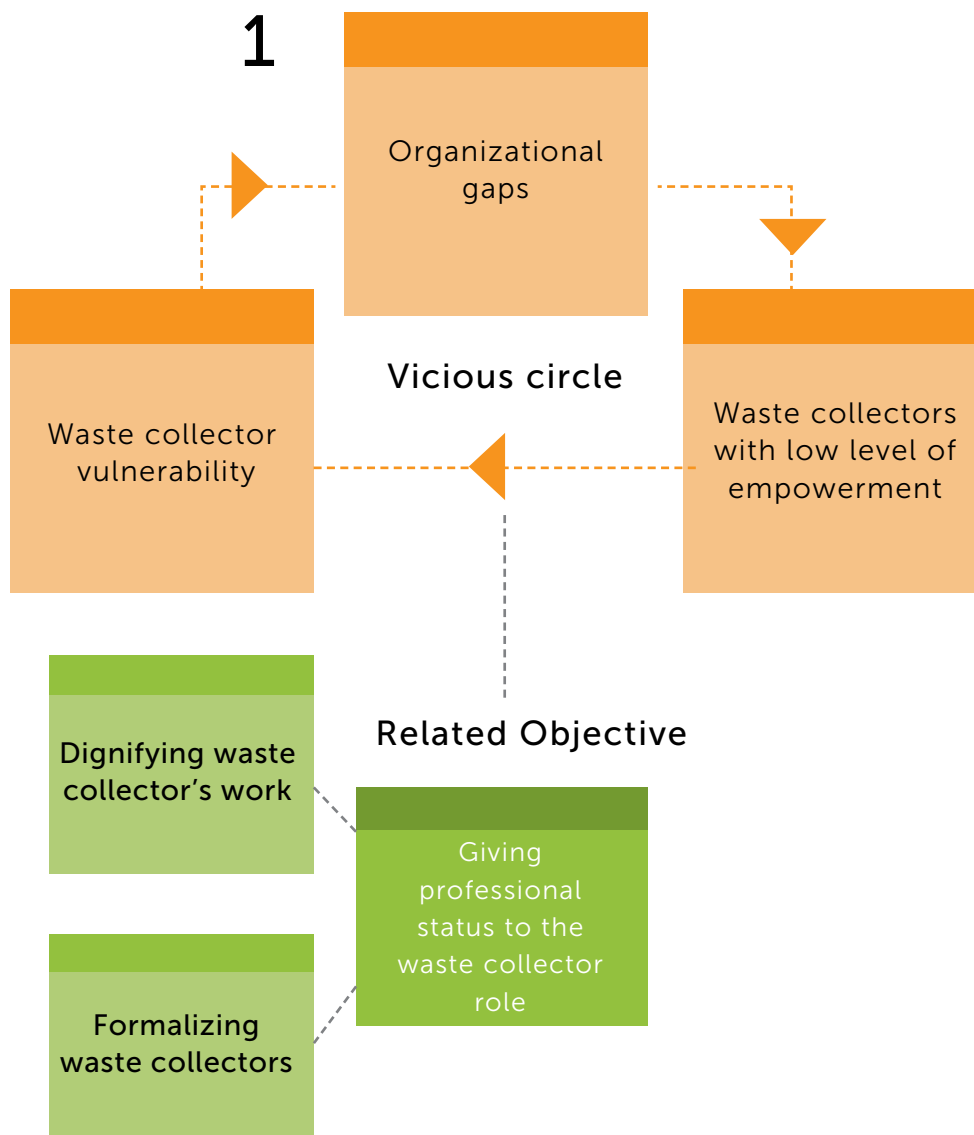
RECOMMENDATIONS

- Inefficiencies constitute vicious circles that hinder the obtaining of the stated goals.
They include external factors related to the resource, population, territory, sector, etc., as well as those internal –from the organization itself.
- Inefficiencies should be considered as an opportunity for innovating. As we should see in the next step, structuring in order to address the proposed inefficiencies will lead to develop new products, processes, alliances.
- Inefficiencies are considered as vicious circles to which reinforce themselves to the extent that any of their causes and/or consequences “nourish” the preceding and the subsequent ones.

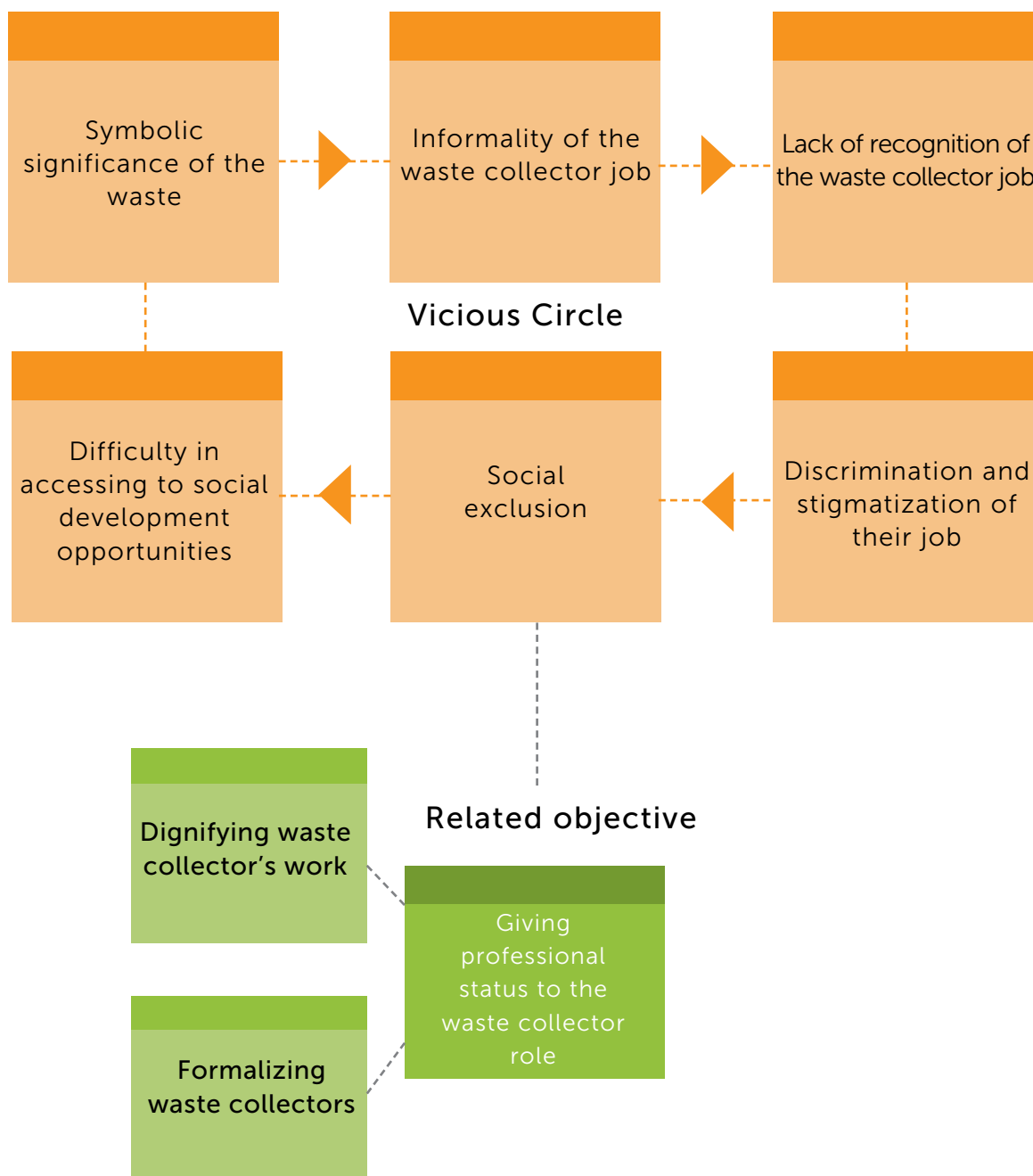
See template 7 in the Attachments

Example of relations between problems and objectives

Set the vicious circles with the objectives to which they are related



2



BONAFONT CASE

In the waste collectors with Bonafont's Project, the inefficiencies were classified as represented above. This kind of classification allows to recognize in which fields should be focused the actions of the project to be developed.

Socio-economic conditions

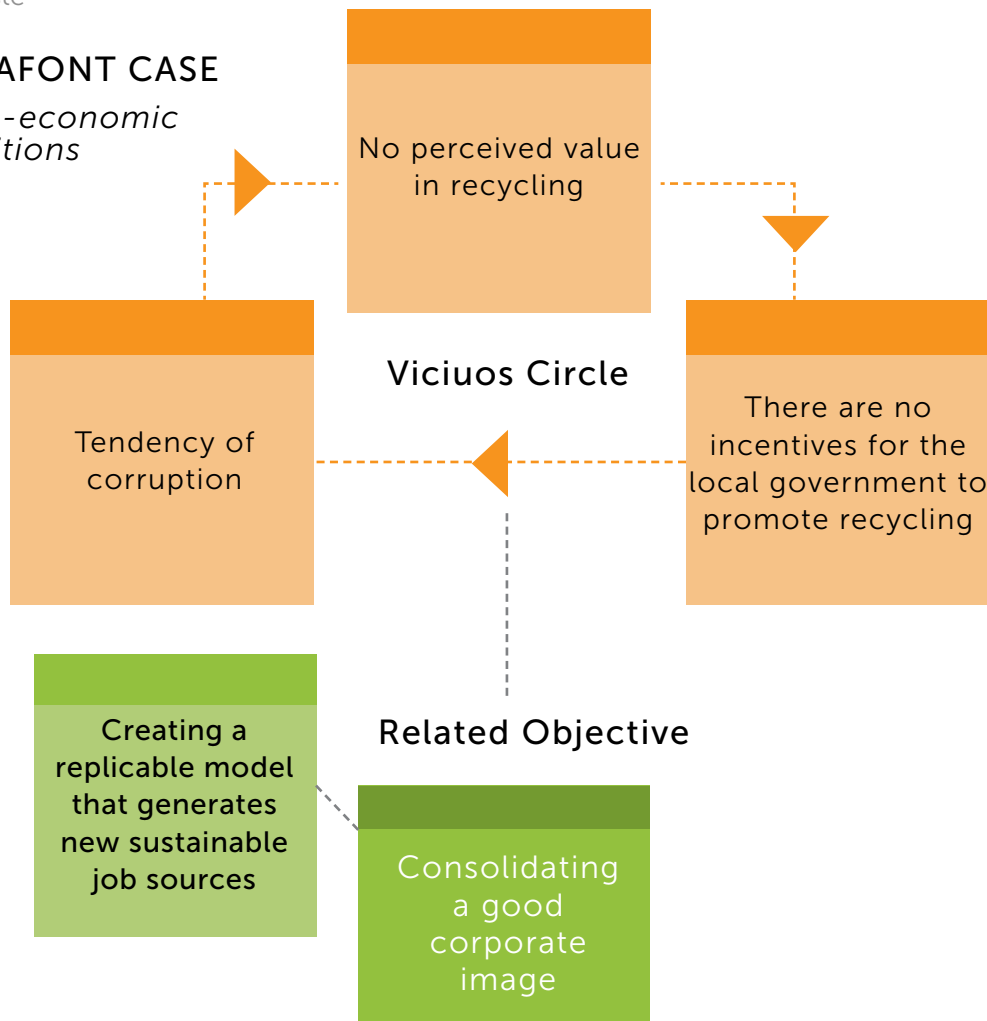
From the social point of view, waste collectors stigmatization has negative implications in their human development. The waste collector exclusion is not only translated into disgraceful working conditions, but also into their inability to access to other opportunities of socio-economic development on equal terms.

From the corporate point of view, the informality, as well as the lack of professionalization and dignification of the waste collector, generate a somewhat inefficient, opaque and disaggregated value chain, which makes it less attractive from profitability and productive point of view.

In the Bonafont case, this kind of vicious circles are directly related to the objective of professionalizing the waste collector activity. This objective becomes especially relevant in the model development since waste collectors are the social impact main subjects and the business implementation key agents.

BONAFONT CASE

*Socio-economic
conditions*



BONAFONT CASE

Inefficiencies in the market

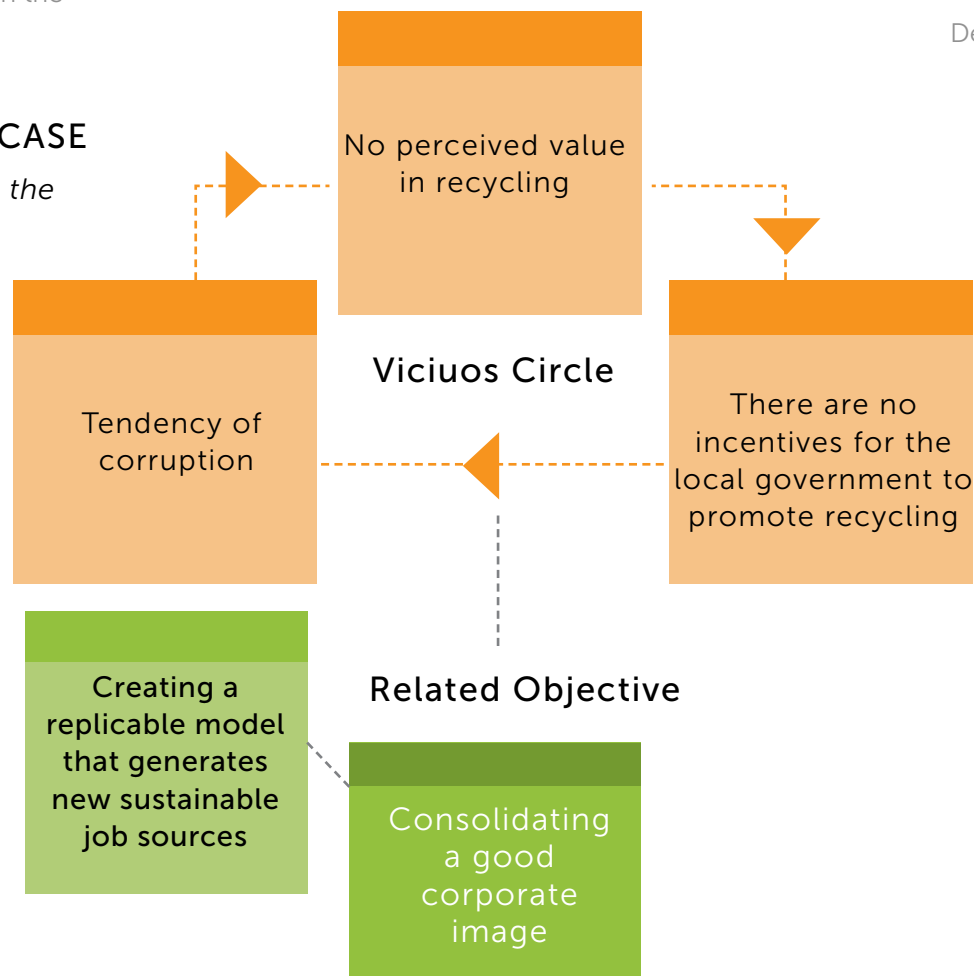
The high disaggregation of the recycling value chain and the concentration of some actors in activities aimed to pull value out without any social inclusion effort, generate an important distortion and a clear exclusion of the most vulnerable actors.

Those inefficiencies are also produced by completely external factors or due to the absence of public policies.

This kind of vicious circles affects directly the objective of closing PET life-cycle and implicates a comprehensive approach to the problem, where, as we will see in the analysis of the business model dynamics, the approach can't be only for the Bonafont's value chain, but also for the comprehensive intervention and the linkage of the entire sector.

BONAFONT CASE

*Inefficiencies in the
market*



BONAFONT CASE

Public Policy

The vicious circles generated by the absence and/or inefficiency of the governmental action are not exclusive to recycling, but a common situation with which emergent countries' companies continuously face.

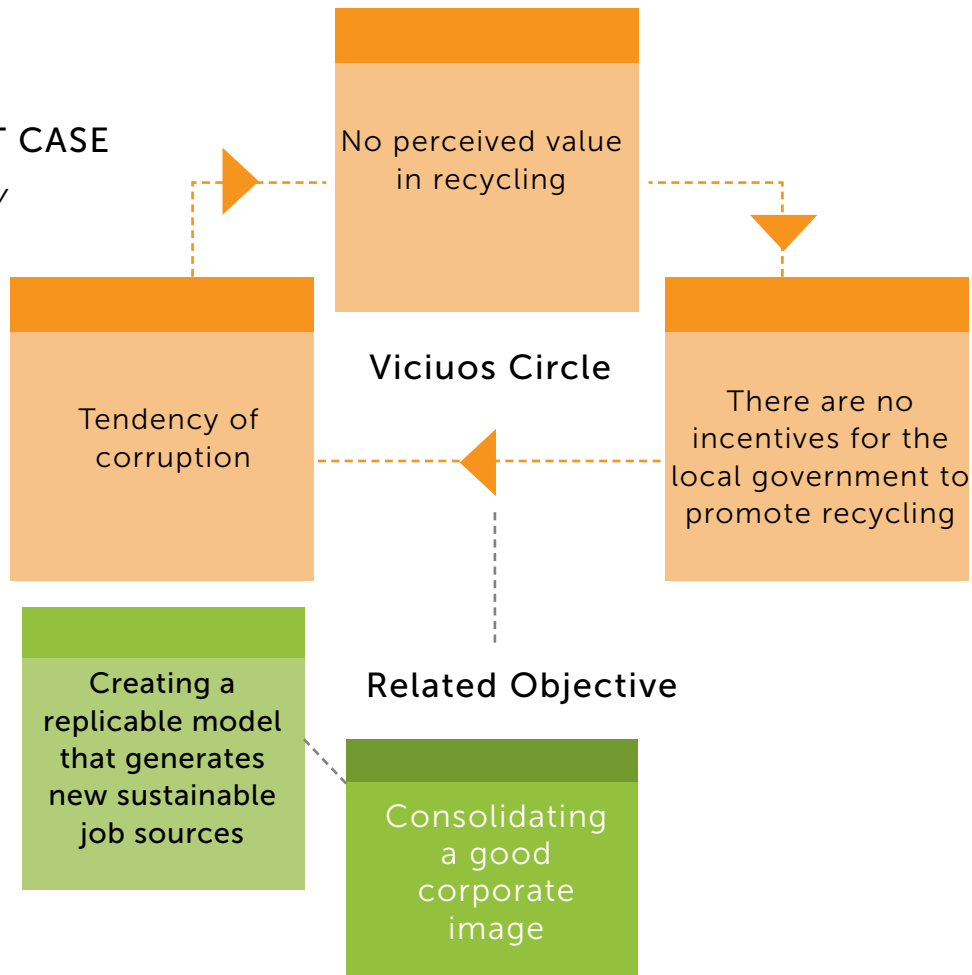
Waiting for the right public policies to be developed can take a lot of time. Corporate action is used to advance more quickly than government regulations, so that precedents can be set and have influence on their development.

Corruption, the lack of clear and transparent rules, as well as the absence of incentives that stimulate local governments to direct their efforts towards recycling promotion are vicious circles that directly affect a sustainable and replicable model development.

In the Bonafont with Waste Collectors' case, this kind of inefficiencies means a great barrier for the project's viability.

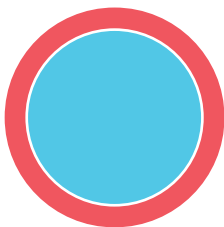
BONAFONT CASE

Public Policy



2.2 Identifying value dynamics of the business

Superior value dynamics



Vicious circles

The purpose of this phase is to explore the business dynamics which can be generated in order to reach the goal stated in the last phase.

Inefficiencies on which we should have an impact in order to get results will be recognized, as well as the interactions that should be generated to a more effective and efficient utilization process.

2.2.1 Identifying strategic decisions

The purpose of this step is to pre-identify the strategic decisions that allow to develop a project directed to reach the stated goal.

A- Choose a post-it color for the strategic decisions.

B- Along with the team, make a brainstorm of strategic decisions that could be made in the project that you want to do.

C- Locate the decisions on a board or a sheet of paper. Keep in mind that decisions is everything that can be controlled, that is, everything that is deliberately done in order to cause a specific effect.

See template 8 in the Attachments

Example of strategic decisions' brainstorm

ETyR creation	Centralizing ETyR material's purchase	Co-create an internal safety regulation
<i>Price Benchmarking between PASA and waste collectors</i>	Getting waste collectors without any working relation accredited	Sorting waste collectors into those who will make part of the project and those who won't

D- Once we had the decisions canvas, we will classify decisions as following:

- A "P" (Functioning policies) for the decisions made in the Project about its functioning operations. For example: diversification of trading channels, training programs, trade fairs, etc.
- An "A" (Assets) for those decisions that we consider as assets acquisition where it has been decided to invest. For example: machinery, selling points, etcetera
- A "G" (Governance) for the decisions related to the government structures created to institute policies, to govern the assets and to make decisions. For example: contracts, licenses, alliances, etc.

See template 9 in the Attachments

Example of decisions' classification

<p>P-</p> <p>Centralizing ETyR material's purchase</p>	<p>P-</p> <p>Sorting waste collectors into those who will make part of the project and those who won't</p>	<p>A-</p> <p>ETyR creation</p>
<p>P-</p> <p>Price Benchmarking between PASA and waste collectors</p>	<p>P-</p> <p>Getting waste collectors without any working relation accredited</p>	<p>G-</p> <p>Co-create an internal safety regulation</p>

BONAFONT CASE

In Bonafont's project with waste collectors' case some key strategic decisions were made:

- ETyR creation based on a concession contract with the local government that allowed to link informal waste collectors and to generate more efficient and effective recycling processes.
- Waste collectors' training and accompaniment in order to achieve ETyR's good performance.

A great part of the resources aimed to the project were directed to the assets acquisition -as ETyR- and its recondition. Although, the high actions concentration around ETyR implementation as a recycling treatment point wasn't enough against the absence of governance decisions directed specially to build better alliances, as well as incentives to engage government organisms in Bonafont's purpose.

RECOMMENDATIONS

- Lead the brainstorm in order to identify strategic decisions directed to the achievement of the stated goal from the former phase.
- In order to dynamize the conversation, find some questions that lead the team to the most important decisions. A useful scheme may be to ask by initiative's phases, for example: which activities or decisions would you implement in the first three months? And continue with initiative's implementation time. It may be useful, as well, to ask for decisions made through each part of the chain.
- Classifying decisions according to their kind: functioning policies, assets, governance. It will allow to find the perfect balance. For example, many decisions related to assets acquisitions and very few to functioning processes may imply a poor efficient and effective resource utilization. On the other hand, focusing in strategic decisions in governance structures, without the strategic assets acquisition, may restrict the operation capacity in a project.
- Take advantage of this phase to quantify the needed economic resources for those decisions that require it.

2.2.2 The systemic effect of the strategic decisions

The purpose of this step is to simulate the dynamics that would generate the identified strategic decisions.

In this sense, the dynamics that you will identify will allow you to define the business model as a company's decisions set, and its consequences. Decisions could be, for example, a functioning policy, the assets where has been decided to invest and the government structures created in order to institute policies and to rule the assets, as we mentioned before.

These decisions shape the way to operate the company. Besides, these decisions have consequences. For example, thanks to a better post-selling service, a company can increase its customer's loyalty. Consequences could be rigid or flexible. Rigid consequences accumulate over time and tend to be persistent. For example: brand value, reputation or the installed base. Flexible consequences are flows that can change from period to period as costs, income or sales volume. Identifying between these two kinds of consequences is important to recognize the robustness of each dynamic and, therefore, of the model as a whole.

Decisions and consequences constitute a business model. Identifying the consequences is important since they allow to make supported decisions. For example: a high volume permits to exploit economies of scale, or a powerful brand can demand a higher price.

When linking decisions with consequences, and these back again with decisions, business dynamics show up. This kind of analysis allow to understand the way in which the project might work out.

By looking at the dynamics of the influence of each one of the components of the business model and its final outcomes, those which dynamize the model can be extracted.

These dynamics are repeated over the time and turn into accumulative experiences that strengthen the model's components and its goals' fulfilment.

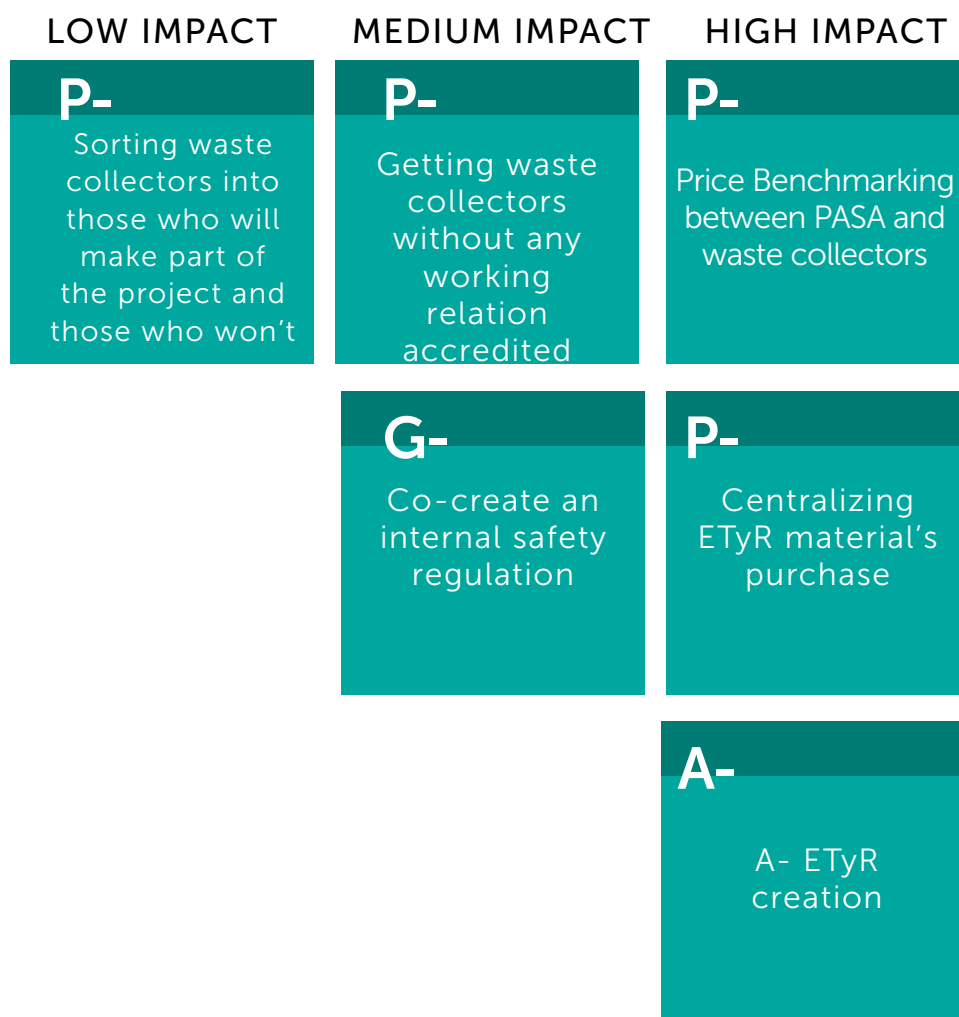
You will structure, then, the dynamics, keeping in mind that decisions is everything that can be controlled, that is, everything that is deliberately done in order to cause a specific effect.

A- Look at the decisions' brainstorm and think about which of them are the most relevant, that is, which are more aligned with the objectives and which level of impact might have each one of them in order to reach the stated goals. Give a rate to each decision -high, medium or low- according to their impact level in reaching the goals.

See template 10 in the Attachments

Example of decisions classified by their impact in goals' fulfilment

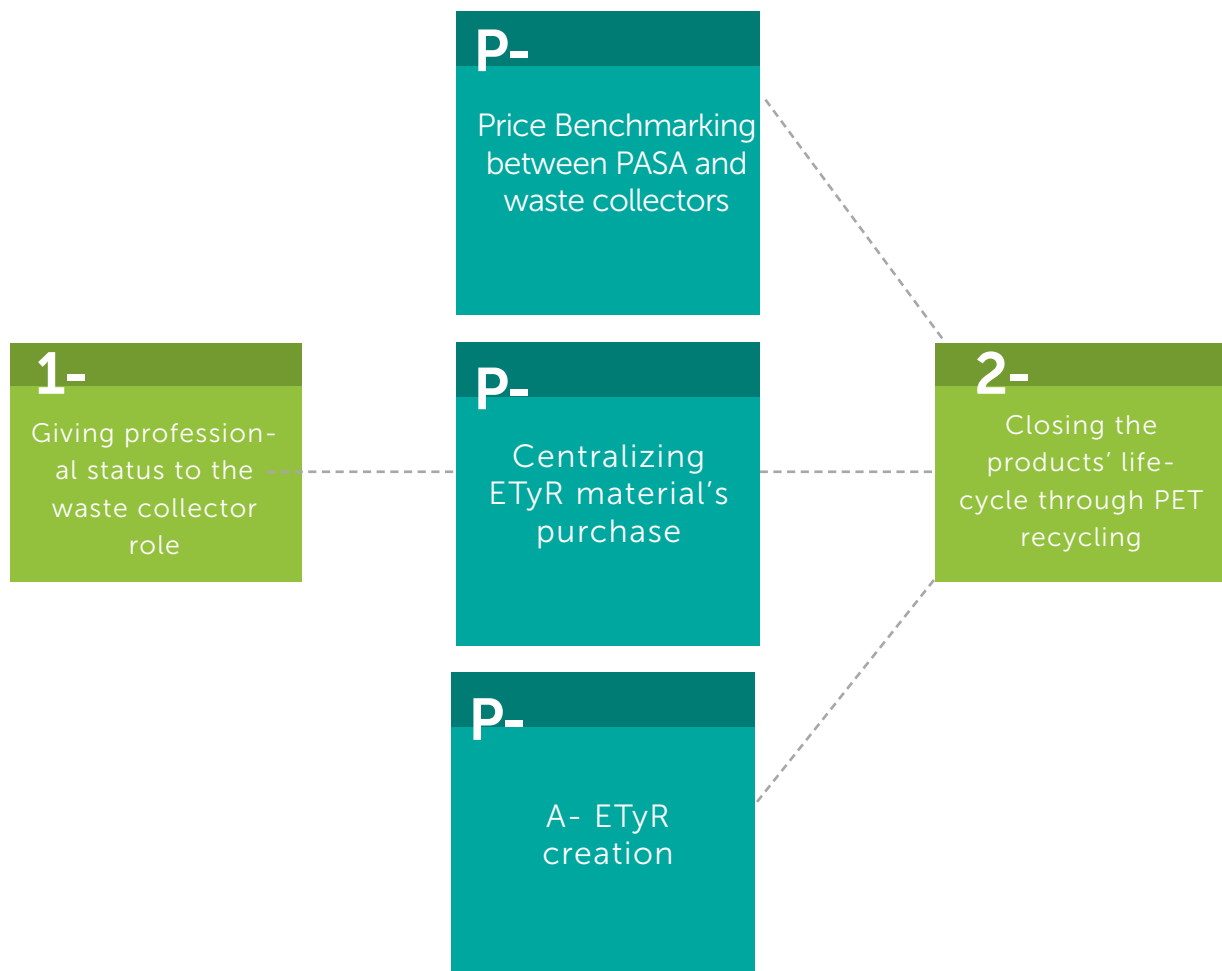
Classify the decisions by groups according to their level of impact in goals' achievement. You will get three groups: low impact decisions, medium impact decisions and high impact decisions.



B- Separate the decisions that had the highest rates and link them with the objectives like in a mind map. It is possible to find decisions related with more than one objective. In that case, elaborate a scheme that shows this connection. Take the example as a guide.

See template 11 in the Attachments

Draw a mind map in which each objective is a node where high impact decisions in meeting an objective are concentrated. When there are decisions that impacts in more than one objective, a union scheme among the nodes is created and shows this connection.



RECOMMENDATIONS

- In this phase, the possible effects of the decisions made in the project development are simulated. In the practice, these effects might be different. In this stage, the participants use their experience and their business and subject matter knowledge. In order to prompt the most accurate effects and decisions it is recommended to appeal to the collective intelligence and, thus, develop this activity within a multidisciplinary group from both the companies and the interests groups that would relate to the initiative.
- The classifying process of the decisions is a defying activity. There are groups where the classification could be reached by consensus through an open dialogue. There are some others where some difficulties might arise to establish an honest conversation among the different actors. This phenomenon could happen in groups with a high hierarchization. Reaching a consensus about which decisions might have the most impact is ideal.
- The dialogue is used as an open space to listen the effects that a decision might have from other team members and their department's point of view, and to get a more comprehensive opinion about its impact

C- With each decision that has been prioritized and connected with the objectives, you will do an exercise: ask yourself which is the chain of effects that have been triggered from each decision. In order to connect this effect chain it could be useful to use the following questions: what happened when this decision was implemented? And, what happened next? And so on. Write down a single idea for each post-it.

That is how a decision's effect chain could have a connection with some other decisions. It is possible that some of the decisions that weren't prioritized in the beginning become part of these dynamics. It also may happen that these dynamics help you to remember decisions that you haven't included in the brainstorm.

Keep in mind, then, that within this chain it could appear two different types of ideas, and that each one of them should be written down in a different color post-it:

Effects: It is the result of a decision. Decisions are executed in expecting to get particular effects, but the initiative's executor doesn't have control over those effects. They may occur or not. In order to include effects, write down the ideas in a different color post-it from the one used in the decisions' brainstorm. In the example we will use the yellow.

Decisions: As has been told before, decisions is everything that can be controlled, that is to say, everything that is deliberately done in order to cause a specific effect.

When making this decision-effects-other decisions' connection, give a name to each created dynamic.

Each dynamic's name must correspond to the decision which creates more value within the chain. In order to identify this decision, you can ask yourselves: which is the decision which has more influence to trigger the other decisions into the same dynamic?

BONAFONT CASE

By building this effect chain, you will find some other related decisions. For example, when Bonafont implemented the decision of building the ETyR, the decision of training waste collectors in waste utilization processes was prompted as well. This led to the creation of alliances with the social sector organizations which were able to give attention, accompaniment or training.

See template 12 in the Attachments

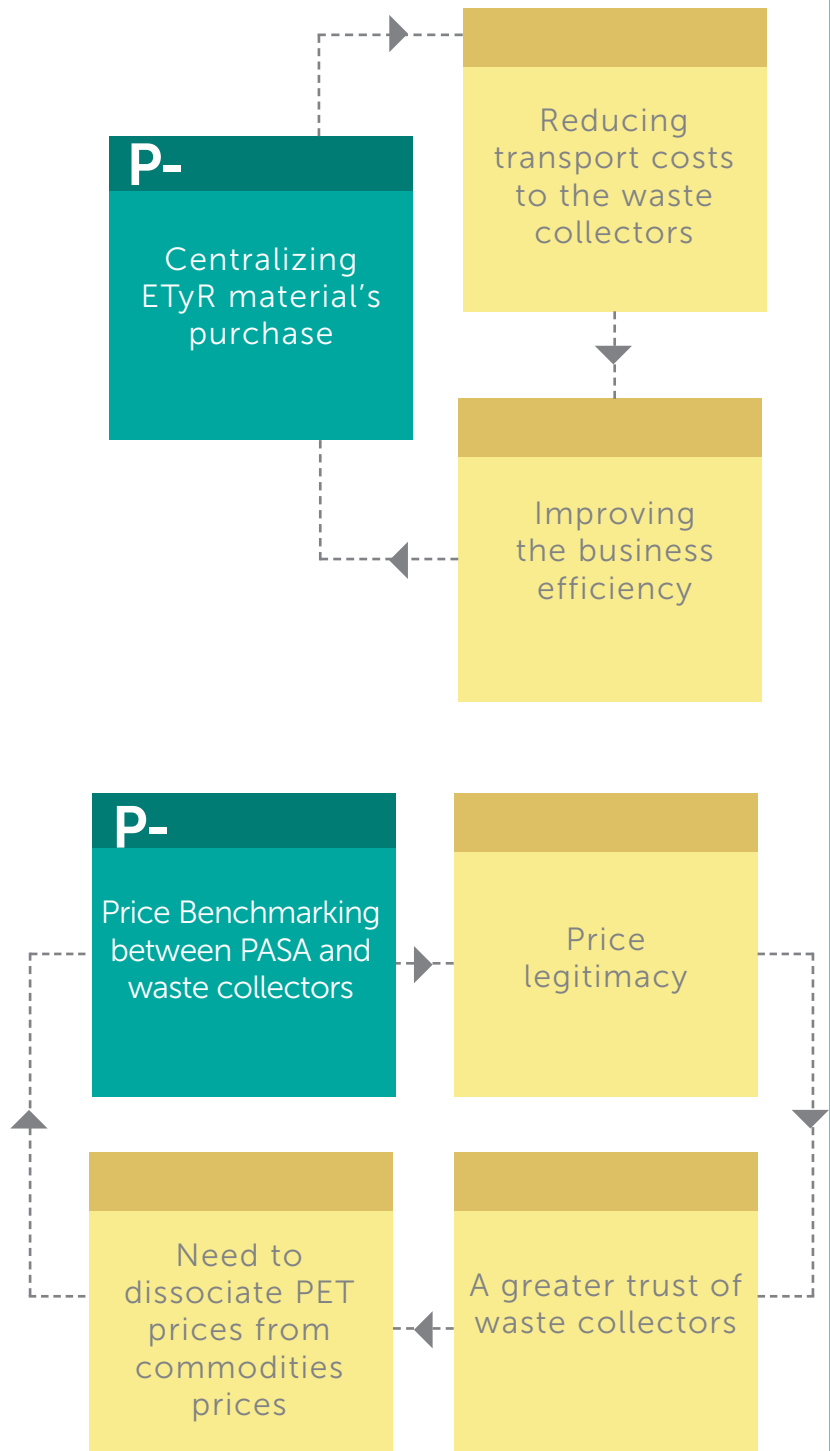
Example of dynamics of value creation

Make each decision and connect it with its effects. Keep in mind that it is possible that within this chain you may find effects (that may be in a different color) and decisions, either the prioritized or the low/medium effect ones.

In this activity, new decisions which haven't appeared before may show up and, in this moment, they can be generated into the dynamics to be simulated. These should be different according to their decision type, as we did with the other decisions in the previous step.

Connect these dynamics with arrows as following: take the decision which starts the chain and make a left-to-right arrow that leads to the first effect or decision. From there, draw another arrow which connects with the second effect or decision. Try to organize the dynamics in a circular shape.

The last arrow will lead to the name you gave to that dynamic.



RECOMMENDATIONS

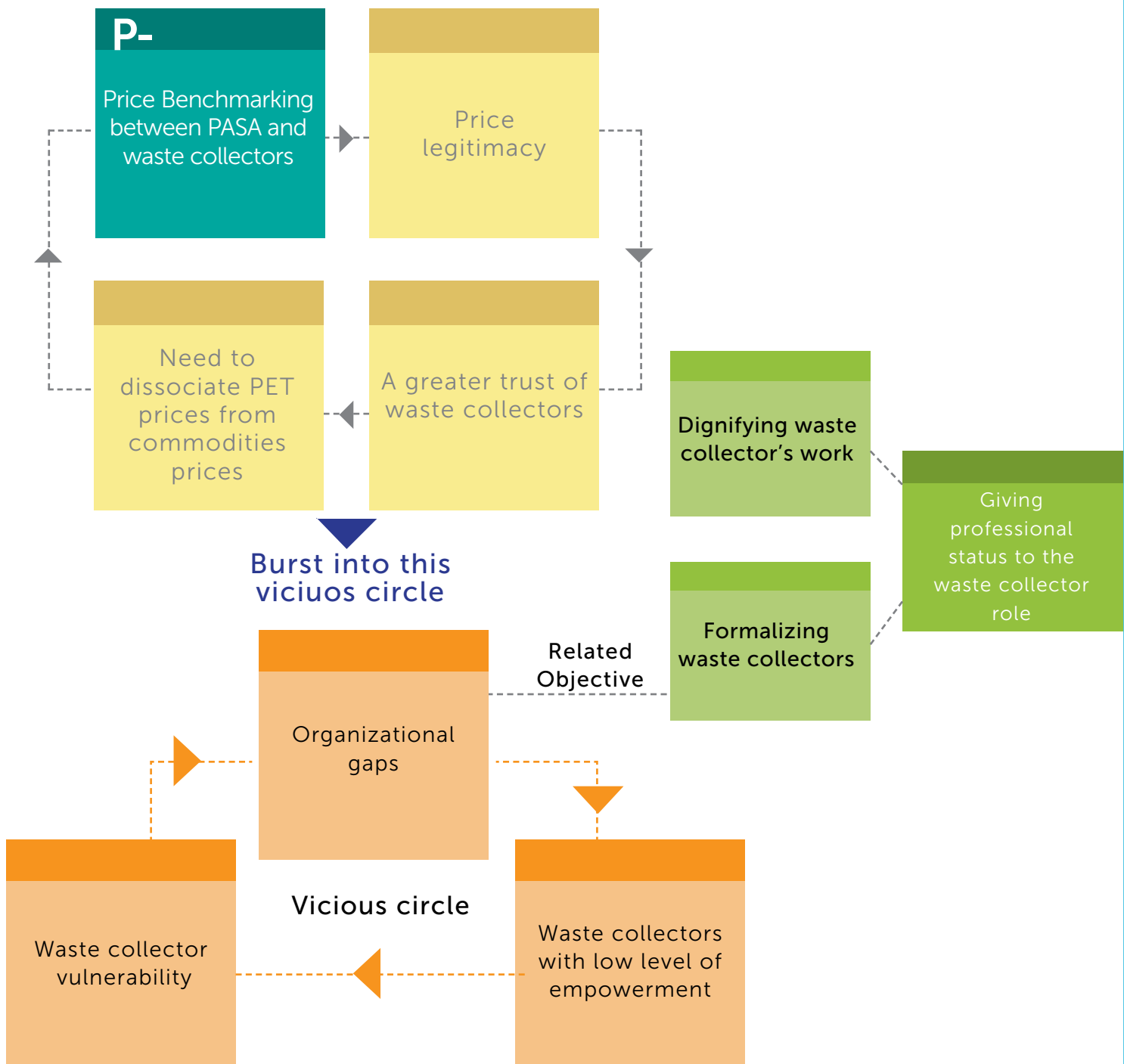
- It is important to stress that, with this approach, the analysis focuses on the dynamics which may be generated in the business model as a whole and not only in a particular strategic decision. Analyzing the business model components in a disconnected, non-systemic way would imply losing different components' interactions of the business model.
- With the systemic approach, strategic decisions stop being key decisions by themselves once they are integrated into a dynamic with more decisions and consequences. For example: the decision of raising the price of a particular product in order to increase its margins will have different effects in the consumer if the price raise is accompanied by a higher quality and a product positioning in the luxury sector. Both dynamics share the same strategic decision (raising product price), but when related to dissimilar decisions and consequences, generate different business models: low cost products production and sale with large margins or production and sale for the luxury market willing to pay a Premium price).
- Dynamics will be decisive in order to break vicious circles and, in that way, to contribute in the fulfillment of the goals. Thus, it is important to structure them in such way that they will be addressed to burst into the vicious circles.

2.2.3. Relation between dynamics and vicious circles

Link the dynamics to each one of the identified vicious circles. This will allow us to recognize in which way the model is bursting into the inefficiencies which may affect the project's good performance.

See template 13 in the Attachments

Example of dynamics of value creation relative to vicious circles

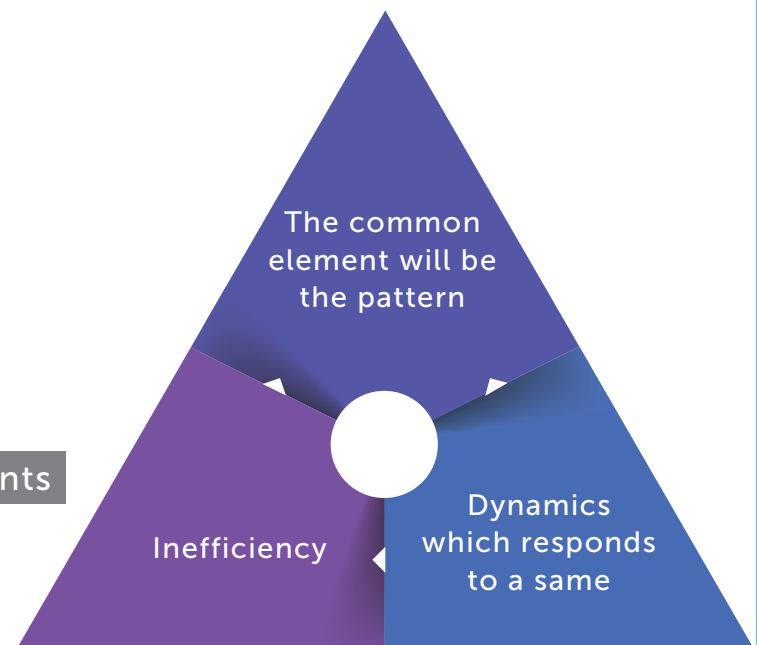


2.2.4 Classification of the dynamics

The previous linkage between dynamics and vicious circles allows to generate patterns for each type of dynamic. For example, if a specific type of vicious circle is waste collectors informality, dynamics that prompt capacities and operative processes can be identified in order to revert it. So, this group of dynamics will be into the pattern of dynamics to revert informality.

Therefore, patterns are created based on a topic assignment, on an aspect that joins, summarize and define several dynamics that are related.

See template 14 in the Attachments



BONAFONT CASE

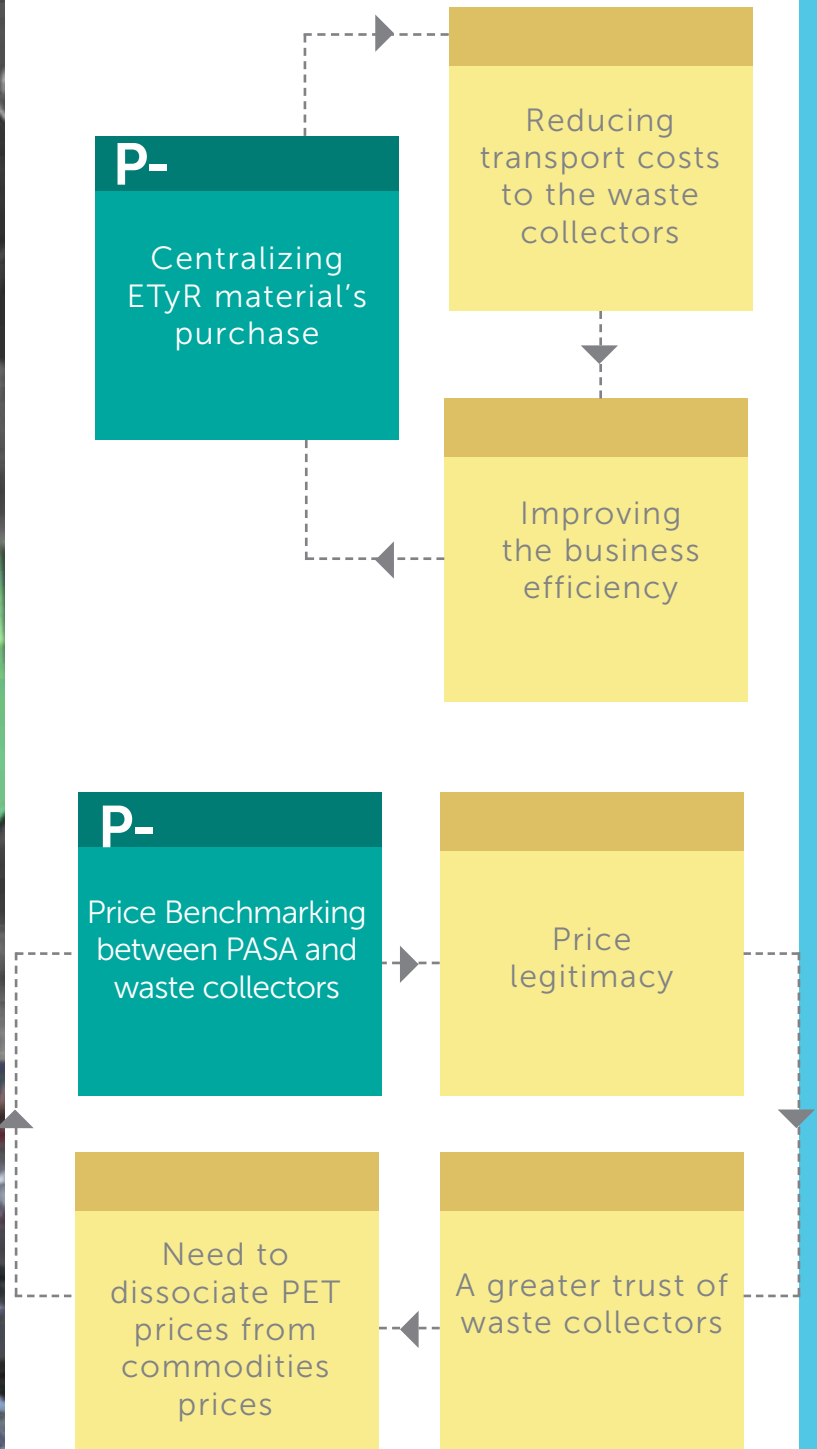
In the Bonafont with Waste Collectors project, the following patterns of dynamics were identified:

- *Dynamics directed to close market gaps*

Inefficiencies in the recycling sector as a whole, and of the waste collectors in particular, need actions specially directed to improve the business efficiency and good performance.

From these decisions, waste collectors pass from inefficient logistics processes, inequitable and poorly transparent trade relations, and a quite fragmented value chain with scarce capacity to add differential value to be part of shorter and more efficient operative processes in which they could move to more specialized activities within the value chain.

These dynamics directly contribute to meet the objective of closing the life cycle of products through PET recycling and favor giving professional status to waste collectors to the extent that they offer procedures and knowledge that add value and recognition to their job.



BONAFONT CASE

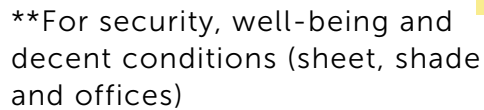
Dynamics for the inclusion

The project's major efforts are focused on generating strategies to achieve a greater waste collectors' inclusion, professional status and dignification. ETyR construction responds to the need of a more efficient way to manage the recycling business, but also to the aim of getting rid of the waste collectors social stigma as a consequence of a negative characterization of their job due to its informality, lack of organization and deficient working conditions.

The notorious improvement in the waste collectors' working conditions due to their job at the ETyR directly contributes to fulfil the waste collectors' professionalization and dignifying goal. Dynamics generated by the joint of organizations such as Mundo Sustentable and Ashoka shows the model's special attention in order to generate social impact.

Although, investments and efforts directed to the creation of inclusion structures lose strength due to the lack of integration of other actors, and due to a model's construction which has not generated dynamics to anticipate negative effects that may produce the governmental action and/or inaction.

Thus, ETyR construction and a favorable inclusion environment generation need an important asset investment and functioning policies to become the main node of the project's value creation. But, they are also extremely sensitive to external factors on account of the interaction with other actors which support the project's viability.



CHAPTER 2

2.2.5 Structuring interacting dynamics

Not every inefficiency can be overcome by the company in isolation. Socio-economic and market contexts where this kind of business is done requires a greater interaction of the company's model.

Interaction with allies allow to capture the assets value (tangible and intangible) from other actors, concentrating the major value creation and diversifying the risk.

In order to identify those potential gaps on which is necessary to influence by leveraging the interaction with other actors, we can make the following analysis:

A- In the first column of the chart below, write down the vicious circle type

B- For each vicious circle type, write down the situations which constitute it in the next column.

C- In the next column, point out the type of actor which you could interact in order to burst into that vicious circle.

D- In the last column, identify the type of relation that your model could have with that actor.

Based on this analysis, you could address to the kind of actors who are able to do the identified activities.

See template 15 in the Attachments

Type of inefficiency	Situations that constitute the vicious circle	Type of actors which could burst into that inefficiency	Type of relation that my model could have with that actor
Dissociation of the most of the recycling material from the market.	Waste is not well segregated from origin (making difficult a greater and better recycling process).	Community action assemblies or community organizations in order to raise awareness and generate mechanisms for recycling at the origin point.	Alliance between the concession and management company and community organizations, with economic incentives and/or any other kind in order to encourage the population to recycle at the origin point.
	Waste collectors make a rough waste segregation.		
	Waste collectors only recycle and sell a little percentage of the whole generated waste.	Company with a collecting and waste utilization concession.	Including the waste collector's training to make a finer segregation into the waste utilization concession model.
	Waste collectors cannot reach more value added markets.	Linkages with companies interested in other kind of recyclable waste.	
	Waste collectors cannot reach more value added markets.		Linking more companies interested in other kind of waste (cardboard, glass, metals, etc.)

BONAFONT CASE

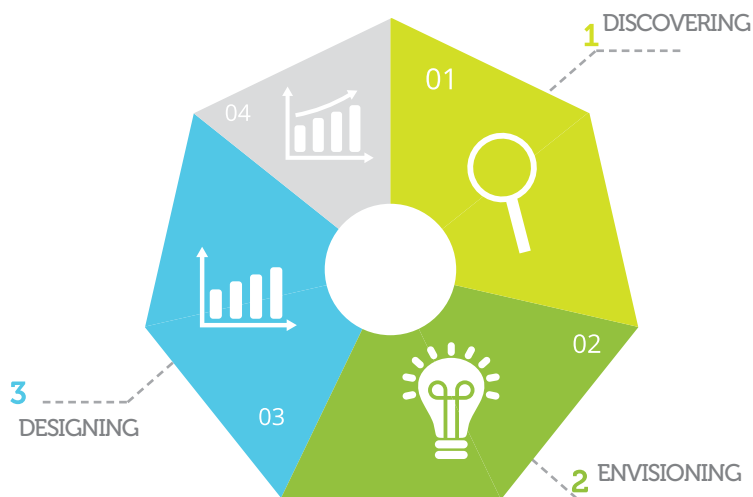
In the Bonafont with Waste Collectors' project there is a low interaction with other actors which negatively affects the project's performance. The development of dynamics that contribute to minimize the market gaps are not enough to reach the goal related to the closing of the life-cycle of PET made products. On one hand, a very little percentage of the waste collectors' recycled PET is connected with the supply chain of the Bonafont's recycled PET containers due to a specific quality type which is required. On the other hand, only part of the material got by the waste collectors find a commercial exit.

This situation makes believe that the Bonafont with Waste Collectors' project cannot only be approached in terms of its value chain development: it is necessary the interaction with other actors that allows to close the sector's market gaps in which Bonafont can't burst in isolation. Linkages between sanitary landfills managers, the attraction of more companies interested in other recyclable waste, as well as the waste collectors' connection to the transformation link are some of the aspects that may trigger dynamics which allow to generate a stronger and auto-sustainable model.

Do you have everything you need to continue?

1. Do you recognize the external and internal inefficiencies which could face the project?
2. Have you pre-identified and classified the potential strategic decisions which will allow to develop the project?
3. Have you simulated the potential dynamics which could be produced from the strategic decision making?
4. Do you recognize the way these dynamics can burst into the vicious circles with which the model deals?
5. Have you pre-identified gaps that could be closed through the interaction with other allies?

3. Designing



The design is making plans for the processes and actions which were “envisioned”.

In this phase the whole dynamics are consolidated in a model from which a road map could be structured for its subsequent implementation.

The model is structured based on the dynamics’ categories as: roles, value proposals, investments, customers, allies. Besides, ideal characteristics of the context are identified.

3.1 Consolidated model

3.2 Identifying ideal contexts

The joint elements from each category are the hypothesis which should be prioritized and proved in the next phase “Implementing” or destiny. The path for the design is as follows:



What is the best that you can get for the business from this phase?

- A consolidated model which integrates the whole dynamics
- Identifying ideal contexts in which the model can work out

3. 1 Consolidated model

A- Resume the identified dynamics with the name/number that you gave to them.

B- Below each dynamic, answer the set of questions from the left column.

C- Resume, in this phase, the quantification of the required economic resources for the investments' account.

D- As you could see, the model is built based on the dynamics considered of superior value since they have been built from the decisions which were considered to have the greatest impact.

E- In the model's consolidation, each one of these dynamics will be analyzed in terms of specific information in order to set up the business (roles, investments, cash flow, transactions, value proposals, key resources, customers/users).

RECOMMENDATIONS

- Model's consolidation is key in order to focus on what actually generates value, to estimate the resources and investments destination and, in general, to secure the equilibrium in the model as a whole.
- Dynamics on which the consolidated model works are those that has been built from those strategic decisions considered to have the greatest impact. Even though, since this process is based on a simulating exercise, these dynamics' implementation could show us their greater or lesser relevance.
- If the greater impact decisions prioritization, and thus the superior value dynamics, has not been sharp enough, this will be the moment to become aware of it through an analysis of the prioritized dynamics: which dynamics might be repetitive or poorly effective? Which ones efficient? Sustainable? (For example, a dynamic which after being analyzed through the consolidated model frame requires a very high investment, and besides, it can be substituted by another selected dynamic). In this case, keep these dynamics as notes and do not integrate them in the final consolidated model frame.

See template 16 in the Attachments

Example of model's consolidation

For the following example, we will use some of the former step identified dynamics.

	DYNAMIC 1	DYNAMIC 2	DYNAMIC 3
	Centralizing ETyR material's purchase	Price Benchmarking between PASA and waste collectors, in order to fix prices together	Operative processes' development
Roles	<ul style="list-style-type: none"> Waste collectors separate recyclable waste at the ETyR ETyR is operated by PASA under a local government concession contract. Local government trucks pick up the garbage and take it to the ETyR. 	<ul style="list-style-type: none"> PASA and waste collectors together make a price benchmarking and reach a fair price agreement 	<ul style="list-style-type: none"> PASA fixes and sets up operative processes which should be accomplish by the waste collectors.
Cash flow / transaction	<ul style="list-style-type: none"> PASA pays the local government for the concession contract 	<ul style="list-style-type: none"> PASA pays the waste collectors for the recyclable waste. 	D/A
Investments	<ul style="list-style-type: none"> ETyR's construction. 	D/A	<ul style="list-style-type: none"> Belt to transfer the recyclable material Tables for the fine segregation. Training in processes and machinery usage.
Value proposals	<ul style="list-style-type: none"> For the local government: Generates an inclusive business for the waste collectors. For the waste collectors: Allows to develop their activity in a safer and more decent space. 	<ul style="list-style-type: none"> Creates a fairer pricing model that allows to foster waste collectors' loyalty and remunerate their good performance. Stabilizes, even if it is only in part, the PET price fluctuation. 	<ul style="list-style-type: none"> For the local government: Allows the concession of a public service to be done in good conditions. For the waste collectors: Allows to improve the performance and the working conditions.

	DYNAMIC 1	DYNAMIC 2	DYNAMIC 3
	Centralizing ETyR material's purchase	Price Benchmarking between PASA and waste collectors, in order to fix prices together	Operative processes' development
Key resources	<ul style="list-style-type: none"> • Space and ETyR's construction. 	<ul style="list-style-type: none"> • System that allows to monitor the recyclable material prices. 	<ul style="list-style-type: none"> • Machinery that allows a better waste treatment.
Clientes - usuarios	<ul style="list-style-type: none"> • Centralizing the recycling process allows the ETyR to improve the recycling performance in order to sell the waste to different industries. 	<ul style="list-style-type: none"> • For the waste collector: Its client is the ETyR. 	D/A

D/A: Don't Apply

3. 2 Identifying ideal contexts

From the consolidated model it is important to recognize the most ideal contexts in which this can be implemented.

Recognizing the ideal contexts is important since they will allow to reproduce the simulated dynamics in the same way and, thus, to obtain the expected results.

A- Do the recognition of the context's conditions in which the consolidated model will be implemented as an exercise. From there, write down a list of factors that answers to the following questions: which situations or conditions are needed for the superior value dynamics to be successful and to meet its objectives?

In order to guide this context exploration process you can use the following guidance questions:

- Are there social, cultural, economic and/or historical characteristics of the initiative's beneficiary population which influence its success and value? Which are they?
- Which beneficiary population problems or necessities can be solved through the initiative implementation?
- Which social and/or environmental challenges are present in the context which are determining in the initiative's success and value?
- Are there conditions in the business environment or in the relation with other actors which influence the initiative's success and value? Which are they?
- If there are key allies in the initiative's implementation, which of their characteristics are determining in the initiative's success and value?

When thinking about the ideal context characteristics in the model, also thinks about the identified inefficiencies in the first place and which are solved through the value creation dynamics. If the identified characteristics are present in the context to which the model is directed, then, it means that you've found the ideal context.

If a specific context is not the ideal one, but because of different reasons the project has to be implemented there, it will be necessary to generate dynamics to make up for and/or create the required context conditions that are missing.

BONAFONT CASE

In the Bonafont with waste collectors' project it was necessary a greater implication and interest by the local government. This context condition was missing and no other action was made to generate it besides the ETyR's concession contract. Identifying incentives to get a greater support from the local government was necessary to create a governmental supportive context which was needed for the project to work out.

These characteristics will be included in the context analysis canvas. In this canvas there are four columns:

1. In the first column there are the context's key characteristics for the identified dynamics to be reproduced.
2. In the second column there is a list of the characteristics which are present in the selected context (in case this has been already selected)
3. The third column is to describe the local conditions which could make up for the missing ones.
4. The last column is in order to identify other conditions from the identified context. Those conditions has to be kept in mind to adapt and/or generate new dynamics.

See template 17 in the Attachments

Example of context analysis’ canvas

Each identified characteristic in the context analysis’ canvas should be written in an independent box, outside the context analysis canvas board.

In the following example we will work with some Bonafont with waste collectors context’s key conditions.

Context’s key characteristics	Is it present in the identified context?	Alternatives	Other characteristics
Waste collectors with a minimal organization			
Local government entity support			
Other recyclable waste buyers in order to not generate dependence on Bonafont’s crystal PET purchase			
Company interested in a linkage with the waste collection business by integrating waste collectors			

B- Next, it is appropriate to make a context recognition exercise in which the initiative will be implemented. Ask to yourselves if the previously mentioned characteristics are present in the context to which the initiative is directed.

See template 17 in the Attachments

Example of context analysis’ canvas with answers of the context to which the initiative is directed

Write down “yes” in front of the conditions that are also present in the selected context. Write down “no” in front of the missing context conditions. Write down “P” in front of those that are partially present.

Context’s key characteristics	Is it present in the identified context?	Alternatives	Other characteristics
Waste collectors with a minimal organization	YES		
Local government entity support	NO		
Other recyclable waste buyers in order to not generate dependence on Bonafont’s crystal PET purchase	P		
Company interested in a linkage with the waste collection business by integrating waste collectors	YES		

C- Now, check if there are conditions in the identified context which could simulate or make up for the missing or partially present characteristics.

See template 17 in the Attachments

Example of analysis' canvas of the alternatives to make up for the context conditions

Context's key characteristics	Is it present in the identified context?	Alternatives	Other characteristics
Waste collectors with a minimal organization	YES		
Local government entity support	NO	A center of innovation for product developing based on recycling. It might be an incentive to position local government and get its support to the initiative.	
Other recyclable waste buyers in order to not generate dependence on Bonafont's crystal PET purchase	P	Linkage of other interested companies in recyclable waste. Finer waste segregation	
Company interested in a linkage with the waste collection business by integrating waste collectors	YES		

D- In analyzing the context in which the initiative is willing to be implemented, ask yourselves if it is important to consider any other condition that could influence the expedience or applicability of the previously made decisions.

Example of analysis' canvas of the context with other conditions

In the last column of the chart, write down the context's characteristics that are important to consider. It is not necessary that those characteristics had a direct relation with what is written in the other columns, that's why the chart has a clear division between the first 3-columns-block and the last one..

For example, if for the initiative's success it is necessary a high connection with different sectors that take advantage of different recyclable materials but in the context there are only a few of these actors, then it will be necessary either to attract other commercial allies to which waste can be sold or to train the waste collectors in order to get a more added value transformation.

See template 17 in the Attachments

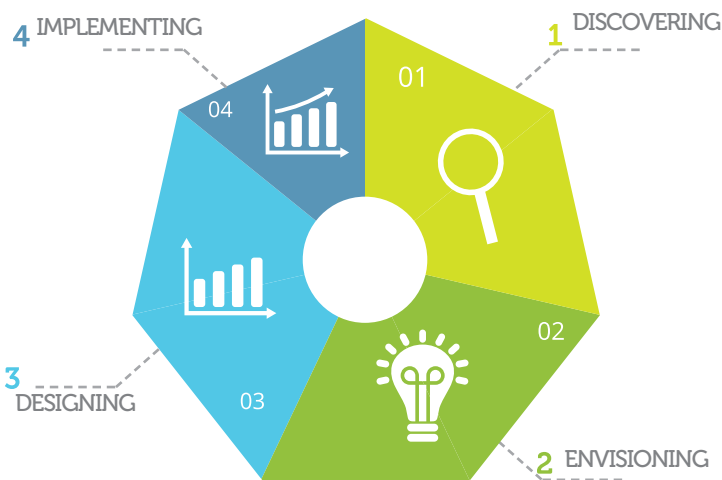
Context's key characteristics	Is it present in the identified context?	Alternatives	Other characteristics
Waste collectors with a minimal organization	YES		The pilot test is performed in a distant territory, located far from the main recyclable product's buyers.
Local government entity support	NO	A center of innovation for product developing based on recycling. It might be an incentive to position local government and get its support to the initiative.	
Other recyclable waste buyers in order to not generate dependence on Bonafont's crystal PET purchase	P	Linkage of other interested companies in recyclable waste. Finer waste segregation	
Company interested in a linkage with the waste collection business by integrating waste collectors	YES		

E- Check the value dynamics and contrast them with the obtained information in the previous chart. Based on this analysis, mechanisms will be brought up to adapt the decisions to the new context. Write down these decisions or new dynamics in other color post-its to differentiate them.

**Do you have anything you
need to continue?**

- 1 Do you have a comprehensive view of the model that you will implement?
2. Do you know which the ideal context for the model is? Do you know the adaptations that should be done to the model?

4. Implementing



Consists in implementing the proposed designing phase. In the appreciative approach it is also known as "Destiny"

The purpose of this phase is to activate the hypothesis of the obtained model from the "designing" phase, and to evolution to the extent that the model progresses through its different phases: early, medium and advanced phases.

While developing the key activities, the roles and other hypothesis resulting from the design, in the different business phases, the risk is reduced and a learning curve is generated. This learning curve considers mistakes not as a frustration but as a source of other opportunities to prove the hypothesis.

Developing experiments in a business environment with its own complexities allows the model to progress with new solutions and aspirations instead of frustrations.

4.1 Planning and prioritizing processes

What is the best that you can get for the business from this phase?

- Experiments that allow to progress into the business model.
- A route to implement the simulated model.
- Recognizing the appropriate moment to implement each dynamic.

RECOMMENDATIONS

- In this phase, you will have to resume the whole work done in the previous phases. Go back to the done work.
- Although this phase requires to translate the done work to a more lineal process in order to organize tasks and activities, keep in mind that the value in the “implementation” phase is trying to reproduce the simulated dynamics and not only the strategic decisions.

4.1 Planning and prioritizing processes

A- Write down in the first column on the left the name of the value dynamics that you have identified as the most appropriate.

See Template 18 in the Attachments

Example of model with dynamics' canvas

Write down the name of the dynamics of value in the first column on the left. It might be appropriate to check if the names given to each dynamic of value really respond to the decision that has the greatest potential to trigger positive effects and to leverage the rest of the dynamic's decisions. If they are not suitable, give new names to the dynamics.

Dynamic of value	Key Activities	Roles
Dynamic 1 Centralizing the whole recyclable material's purchase at the ETyR		
Dynamic 2 Joint price benchmarking by PASA and waste collectors		
Dynamic 3 Operative processes development		

B- Check each one of the dynamics that were included in the chart and identify which of those included ideas are decisions. Keep in mind that each chain has decisions (everything that is deliberately done in order to cause a specific effect) and effects (decisions' consequences that might occur or not. You don't control over the effects).

C- Once the decisions of each dynamic of value were identified, write them down in the second column of the model's canvas, in front of the name of the dynamic to which it belongs.

Example of model with key activities' canvas

Dynamic of value	Key Activities	Roles
Dynamic 1 Centralizing the whole recyclable material's purchase at the ETyR	<ul style="list-style-type: none"> • ETyR's concession contract • ETyR's construction 	
Dynamic 2 Joint price benchmarking by PASA and waste collectors	<ul style="list-style-type: none"> • Regular meetings between the waste collectors and PASA. • Development of a monitoring prices system 	
Dynamic 3 Operative processes development	<ul style="list-style-type: none"> • Processes and logistics organization • Training waste collector for its compliance. 	

D- In the column on the right, include information about the organizations or people linked to the model and add some information about its role.

Example of model with roles' canvas

Dynamic of value	Key Activities	Roles
Dynamic 1 Centralizing the whole recyclable material's purchase at the ETyR	<ul style="list-style-type: none"> • ETyR's concession contract • ETyR's construction 	Local government: awards the concession contract PASA: operates the collection at the ETyR and the transfer to the sanitary landfill where the final disposition take place.
Dynamic 2 Joint price benchmarking by PASA and waste collectors	<ul style="list-style-type: none"> • Regular meetings between the waste collectors and PASA. • Development of a monitoring prices system 	PASA: buys recyclable waste from the waste collectors. Waste collectors: recycle and sell recyclable material to the ETyR.
Dynamic 3 Operative processes development	<ul style="list-style-type: none"> • Processes and logistics organization • Training waste collector for its compliance. 	ETyR: provides processes, logistics and machinery that allows to improve the recycling activities performance. Waste collectors: take possession of new processes and apply them.

E- Once the key elements of the model are clear, you should organize them in a timeline, that is to say, you will define the activities to be implemented in the early, intermediate and advanced phases. Each phases' specific times depend on each initiative, so, the first thing to do by the team is to define the specific time for each phase.

See template 19 in the Attachments

Example of activities by phases

EARLY PHASE	INTERMEDIATE PHASE	ADVANCE PHASE
6 first months	From 6 months to one year	The first year onwards.
<ul style="list-style-type: none"> • ETyR's concession contract • ETyR's construction • Processes and logistics organization 	<ul style="list-style-type: none"> • Regular meetings between waste collectors and PASA. • Development of a monitoring prices system • Training waste collector for its compliance. 	<ul style="list-style-type: none"> • Linkage of other interested companies in recyclable waste. • Finer waste segregation

Do you have anything you need to continue?

1. Do you have a clear road map of activities and roles?
2. Do you know in which moment each strategic decision and dynamic will be implemented?
3. Is it clear who will be responsible of the implementation?



CHAPTER 3

The Next Frontier

Why is it advisable to promote economic inclusion from a systemic approach?

A green, circular and inclusive economy development is strictly linked to the innovation promotion and the competitiveness of the business fabric.

This guide is looking for leading business actors into the inclusive business development which are based on circular economy concepts. The aim is to actively introduce them to business' models with a differential value proposal.

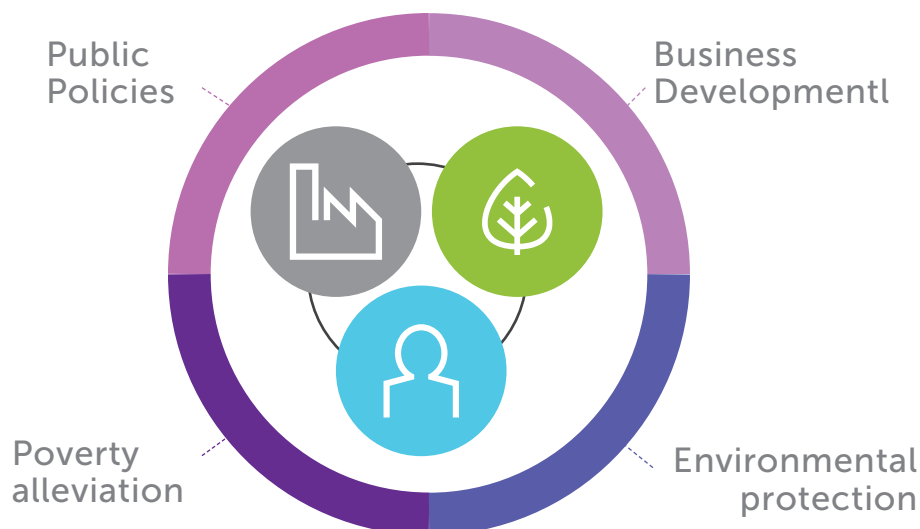
The encouragement of a circular economy either responds to a global tendency supported by governments and international organisms, and to a more efficient business generation models that are innovate, create value and respond to the market trends in which there is a continuous reutilization of the disposal resources as waste.

The COP21 has showed that the countries with emerging economies should reconsider their economic growth models. This rethinking is not only a duty for the governments but also a necessity in order to secure the companies' sustainability and good performance.

We will next explore the link between this business development trend and fields where government action and public policy act in favor of business development which contribute to the environmental protection and the poverty alleviation.



Aligning and coordinating programs for the inclusion



Fragmentation and lacking of alignment between the business development public policies and programs, and those devoted to environmental protection and poverty alleviation remain a constant.

This fragmentation leads to a poor efficiency, sustainability and effectiveness at achieving results. Simultaneously, public expenditure increases at an unsustainable way and companies don't find incentives to contribute to a more solid economic development.

This guide's approach rests on the design of business models which responds to market trends towards inclusive business based on a circular economy and on identifying and counteracting the inefficiencies that impede its good performance.

These inefficiencies or vicious circles, mostly external, often match the environmental protection and poverty alleviation government objectives.

Vicious circles become a key element in the company's strategic planning and not only a mere recognition of its social awareness and philanthropic involvement.

Seen in this light, governmental entities have a great opportunity to align their business development policies with the social and environmental inefficiencies in order to prompt their solution through market incentives which make easier to the companies to actually enter into this business development path.

Aligning social and environmental efficiencies with global tendencies



As seen throughout this guide, the “passives” in poverty and environment turn into value creation “actives” while linking with market trends.

Recognizing this value creation paradigm is important for the company and also for the governments since it allows a greater capitalization of situations normally seen as problems and not as an opportunity to prompt business innovation and development.

For example, the generation of a considerable amount of PET waste is an opportunity to prompt its utilization by industries which are already using it in construction, textile fiber making, bottling, etc. The high participation of low income population which already work in the recycling activity triggers income generation opportunities, recycling related activities formalization and job creation.

Promoting the use and consumption of eco-friendly products



Having an impact based on the promotion of an environmentally friendly consumption, and on clean, efficient technologies that, besides, contribute to the natural ecosystems restoration is an effective way to change market dynamics since the supply and demand logic.

Establishing a fiscal policy to encourage environmental profitability and competitiveness

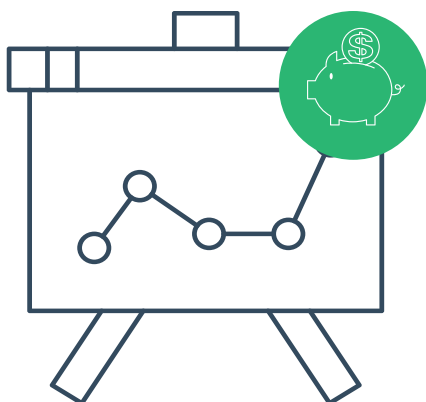


As seen throughout this guide, the inclusive and green business development involves a set of actions that goes beyond the company's traditional business dynamic.

The socio-environmental value generation is usually seen as a cost instead of an investment in order to capture new markets, to innovate and to generate competitive advantages.

Creating the appropriate fiscal incentives will allow even more companies to get interested in this kind of business and to face socio-environmental inefficiencies from a strategic approach which promotes profitability and generates competitiveness.

Promoting financing arrangements



In order to create a real paradigm change it is necessary to foster financing and investment arrangements which prompt business projects with a systemic impact.

Financing schemes should be proposed for those initiatives able to attract smaller economic sectors to this business development path. For example, business initiatives which promotes solid waste recycling and links waste collectors with its value chain spread their impact in a systemic way by fostering formalization and professionalization in a larger population (waste collectors) that moves from poor value recycling practices to others with a greater capacity of becoming a sustainable, constant and profitable effort.

Civil society empowerment

Empowerment



Civil society in general, communities and organizations in vulnerable contexts can be the most active actors in channeling the social and environmental impact which the companies require for their business strategies to work.

Promoting these kind of intersectoral alliances allows to mobilize an important part of the population towards a more sustainable economic development. Even more, it allows to link population in context of poverty with more inclusive and empowerment schemes.

A final thought

By the end of the reading and usage of this guide, you may certainly appreciate that from the very intention of venturing into the inclusive businesses based on circular economy schemes to the resulting model structuration there is an important set of activities which link themselves as a neuronal net. Thus, the final consolidated model responds to a set of decisions, consequences and vicious circles carefully articulated, jointed, useful in order to generate the expected outcome for the good performance of the company, society and environment.

The resulting consolidated model, from this guide usage, either responds to the “What?” of the company itself’s concerns, necessities and interests, and the “How?” and “Its connection with”, by understanding that the actions of companies in vulnerable contexts are modified by its own dynamics. In this sense, it is necessary to develop adaptation, response and transformation strategies which allow, regardless of the context’s difficulties, to recognize and co-create with other actors the greatest possible value.

ATTACHMENTS

Supporting evidence



Glossary

Circular economy

It represents a continuous cycle of development focused on preserving the natural resources. It promotes the optimal management of the finite resources and the flows that allow their renovation and appropriate use.

Effects or consequences

They are spawned from implementing a decision. The project's executor doesn't have control over their effects. When a decision is made it is expected to provoke certain effects. Their achievement depends on external factors which are not always under their control.

ETyR

Transfer and Recycling Station (By its Spanish initials, Estación de Transferencia y Reciclaje)

Decisions

They are everything that can be controlled, that is to say, everything that is deliberately done in order to cause a specific effect.

Inclusive businesses

Inclusive businesses are business initiatives economically profitable, and socially and environmentally responsible which, in a mutual benefit logic, incorporate low income communities into their value chains in order to improve their life quality through their participation into the value chain as agents that add value to the goods and services, raw material suppliers, or goods or services sellers/distributors.

Waste collectors

People who work by classifying and separating garbage to, afterwards, sell the recyclable parts.

Glosario

Systemic Approach

It is about the development of methods and processes that consider a business model as a product of made decisions, as well as its effects related to a comprehensive context.

Significative Conversations

Intentional dialogues for collective learning. They are important for the people involved. These conversations are carried out through deep questions related to the collective interest.

Appreciative approach

It is a strategy for intentional change that identifies the best of "what it is" in order to pursue dreams and possibilities of "what it can be"; a cooperative search for values, passions and strengths that gives life, that is into every system which has the potential for an inspired and positive change (Cooperrider & Srivastva).

PASA

Environmental Promoter of the Laguna S.A. de C.V. (By its Spanish initials, Promotora Ambiental de la Laguna S.A. de C.V.)

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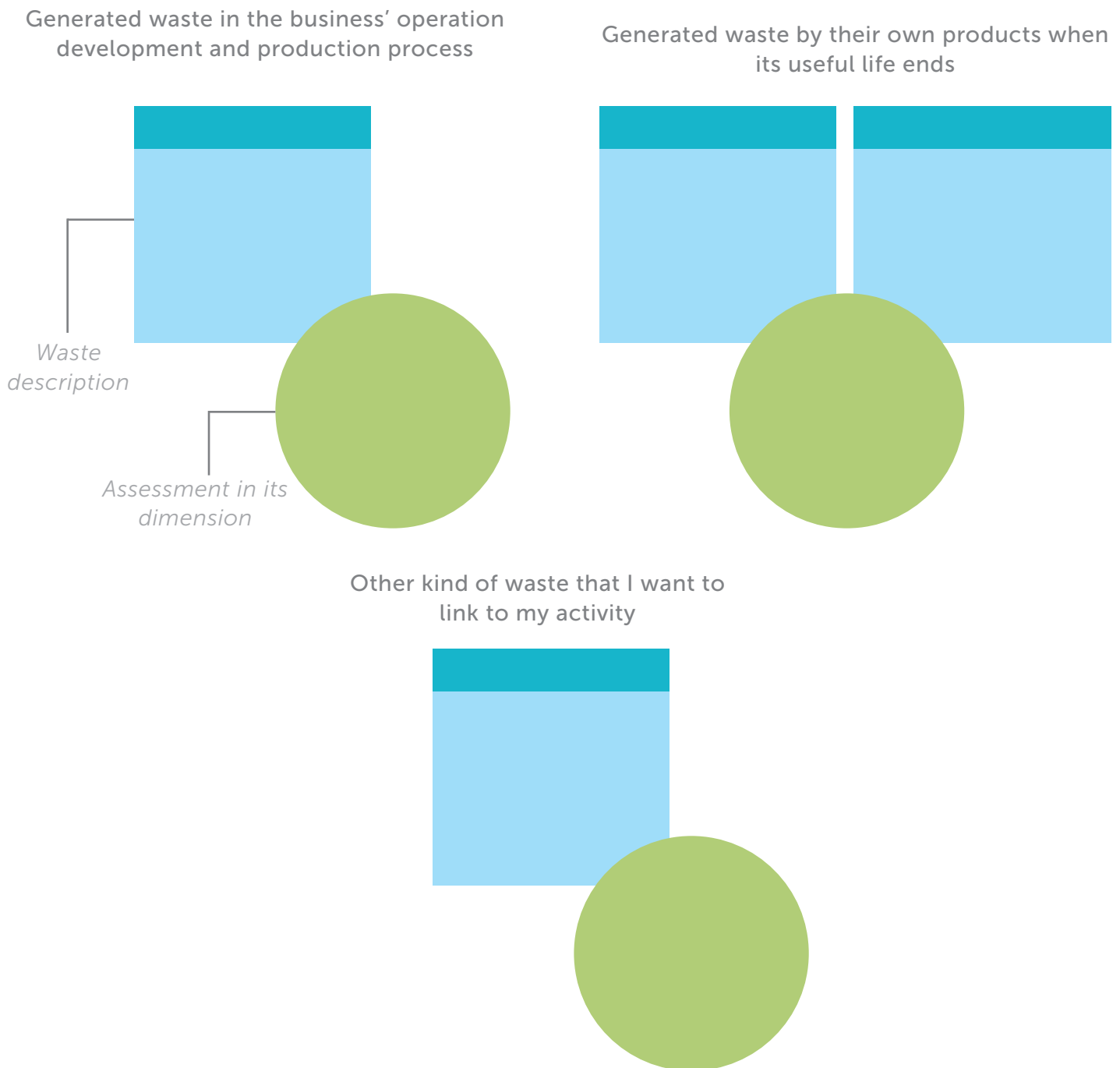
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Templates

Template1- Canvas of generated waste in a business activity and assessment of its dimension

Belongs to 1.1 Identification of the waste and its composition

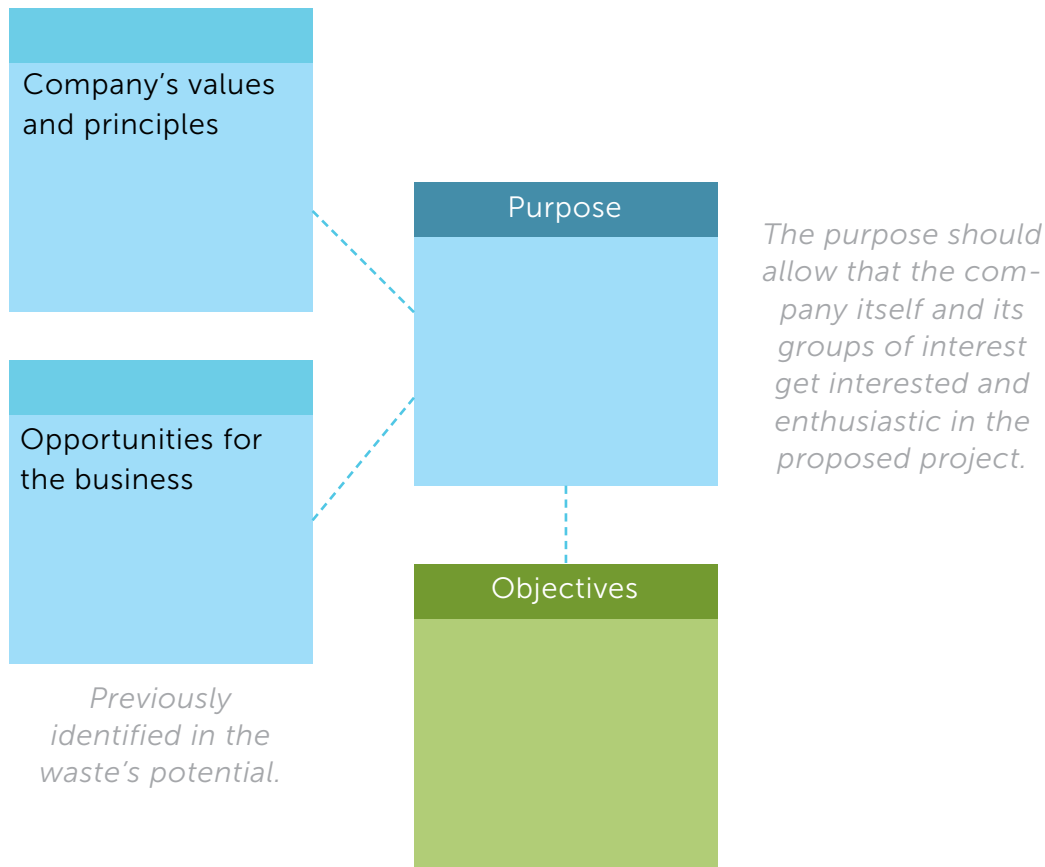


Template 2 – Waste linkage with the market trend to which is related

Waste type	Waste connection with	Comments	
<div></div>	<div>-New Product-</div>	<div><i>It responds to its own sector market trends.</i></div>	<div><i>In here there is great potential for innovation and new markets development.</i></div>
	<div>-New Markets</div>	<div><i>It responds to other sectors' market trends.</i></div>	
	<div>-Other utilizations-</div>	<div><i>It responds to an extension of the waste useful life made by the company itself for its utilization in its value chain.</i></div>	

Template 3- Purpose

Belongs to 1.3 Demarcating the purpose



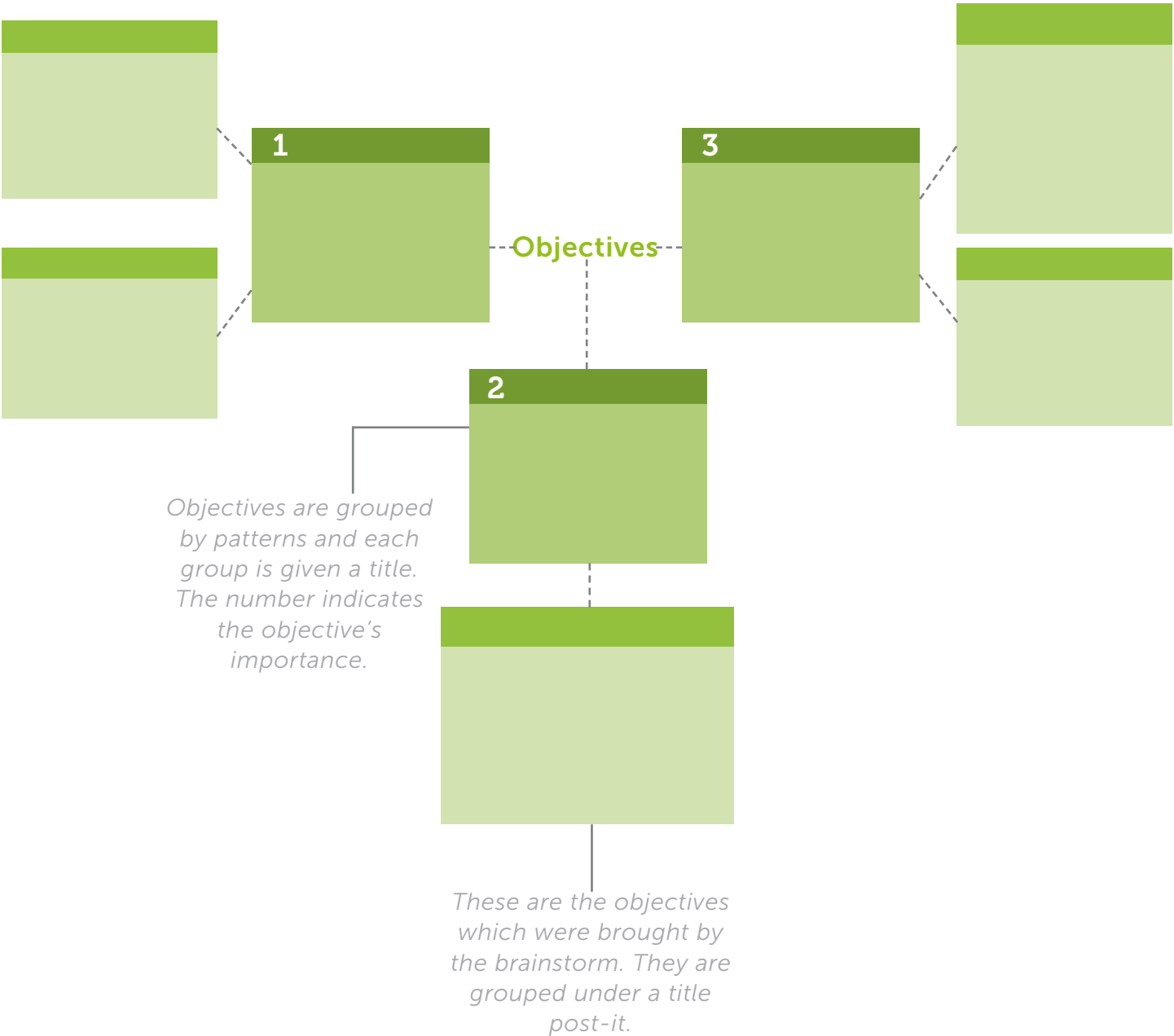
Template 4- Objectives' brains

Belongs to 1.3 Demarcating the purpose

Write down the objectives

Template 5- Objectives organized by patterns

Belongs to 1.3 Demarcating the purpose



Template 6- Problem's canvas with causes and consequences

Belongs to 2.2 Understanding the vicious circles

CAUSES

PROBLEMS

CONSEQUENCES



*Why does the cause
appear?*



*Why does the
problem appear?*



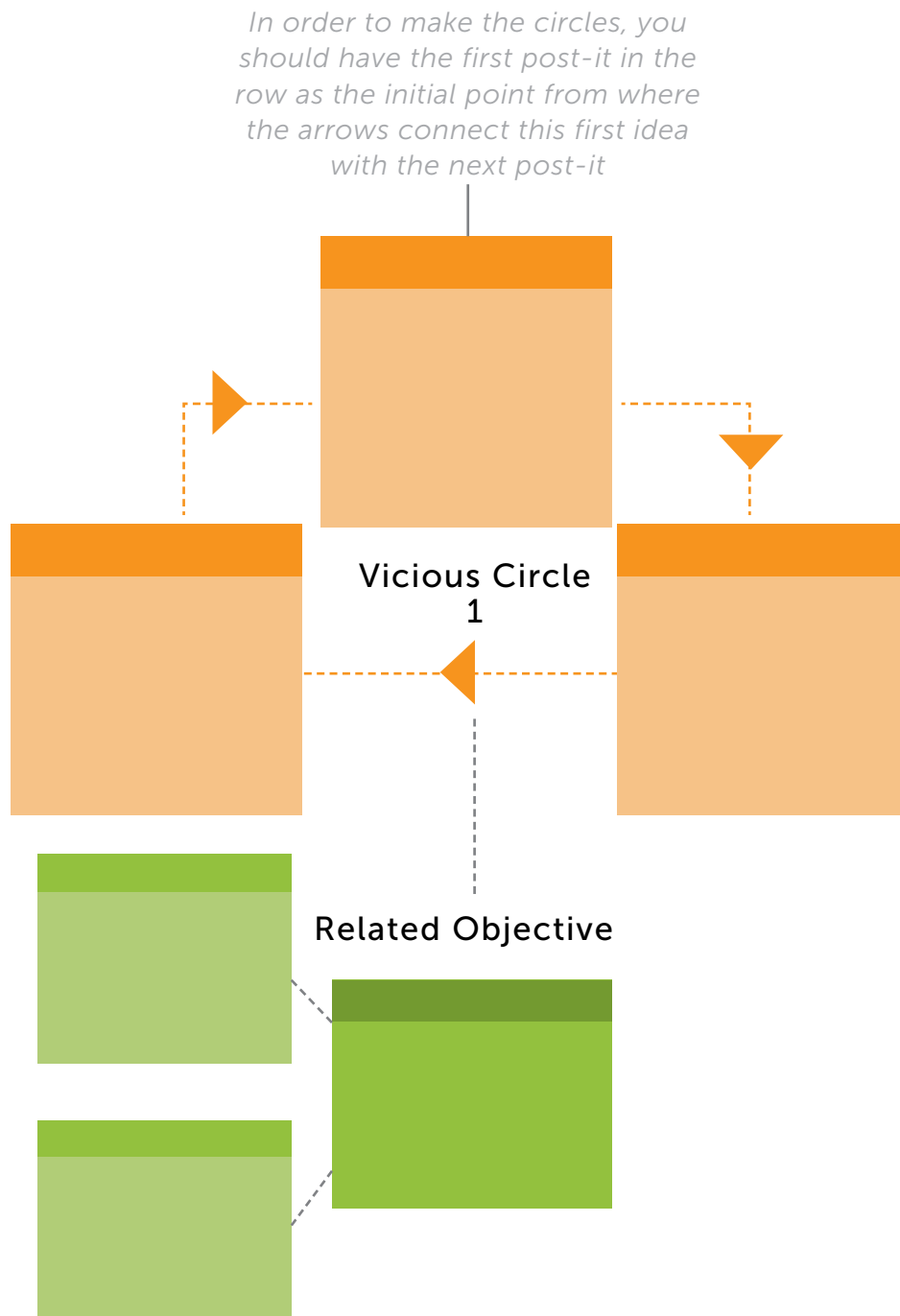
*What's the
problem trigger?*



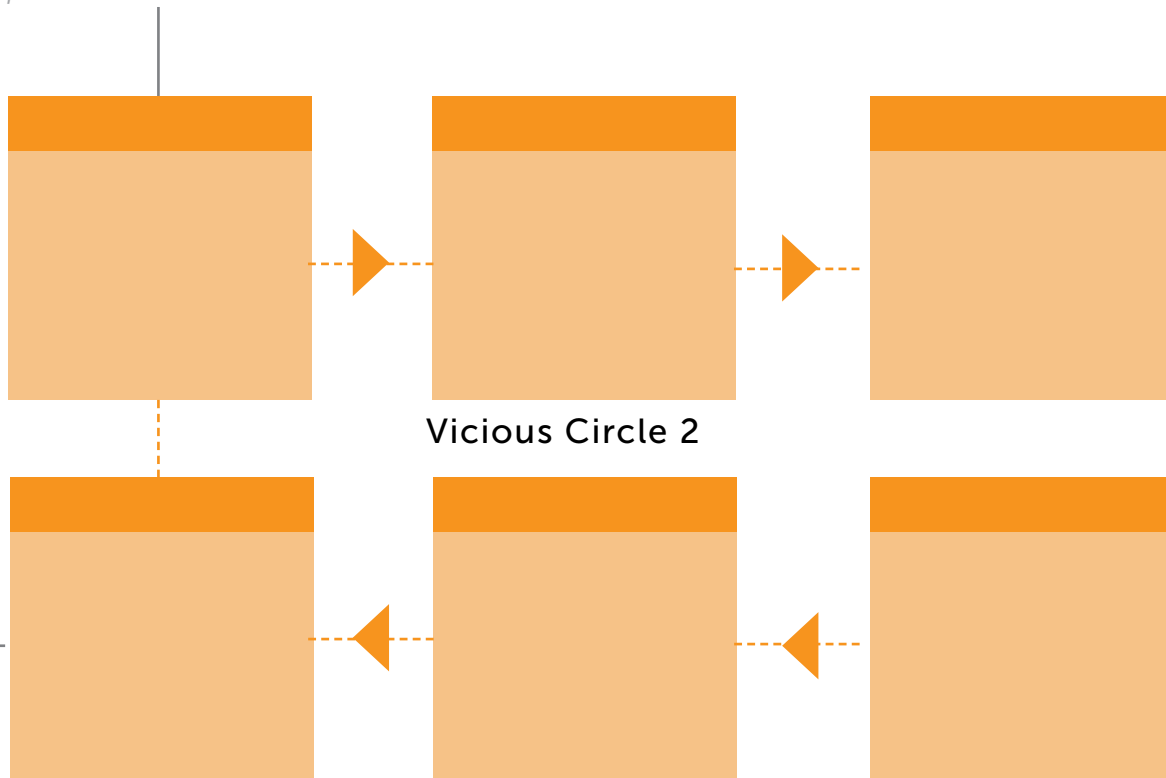
*What's the
consequence trigger?*

Template 7 Relations between problems and objectives

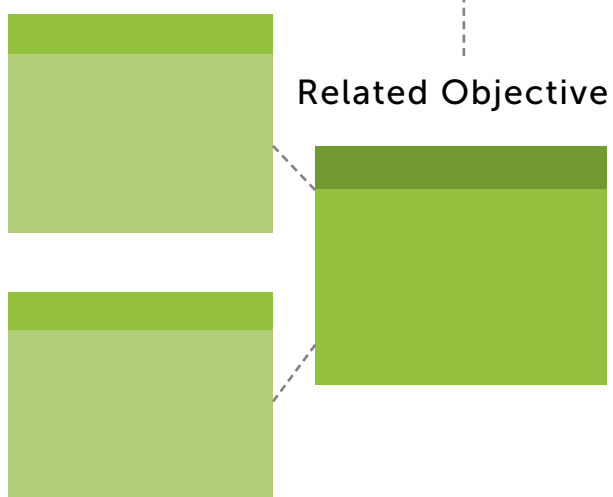
Belongs to 2.2 Understanding the vicious



*In order to make the circles, you should
have the first post-it in the row as the
initial point from where the arrows
connect this first idea with the next
post-it.*



*This is the last
post-it in the
row which is
connected with
the first idea in
order to close
the circle.*



Template 8 -Strategic decisions' brainstorm

Belongs to 2.3 Identifying strategic decisions

Write down
the
decisions

Template 9 Decisions' classification

Belongs to 2.3 Identifying strategic decisions

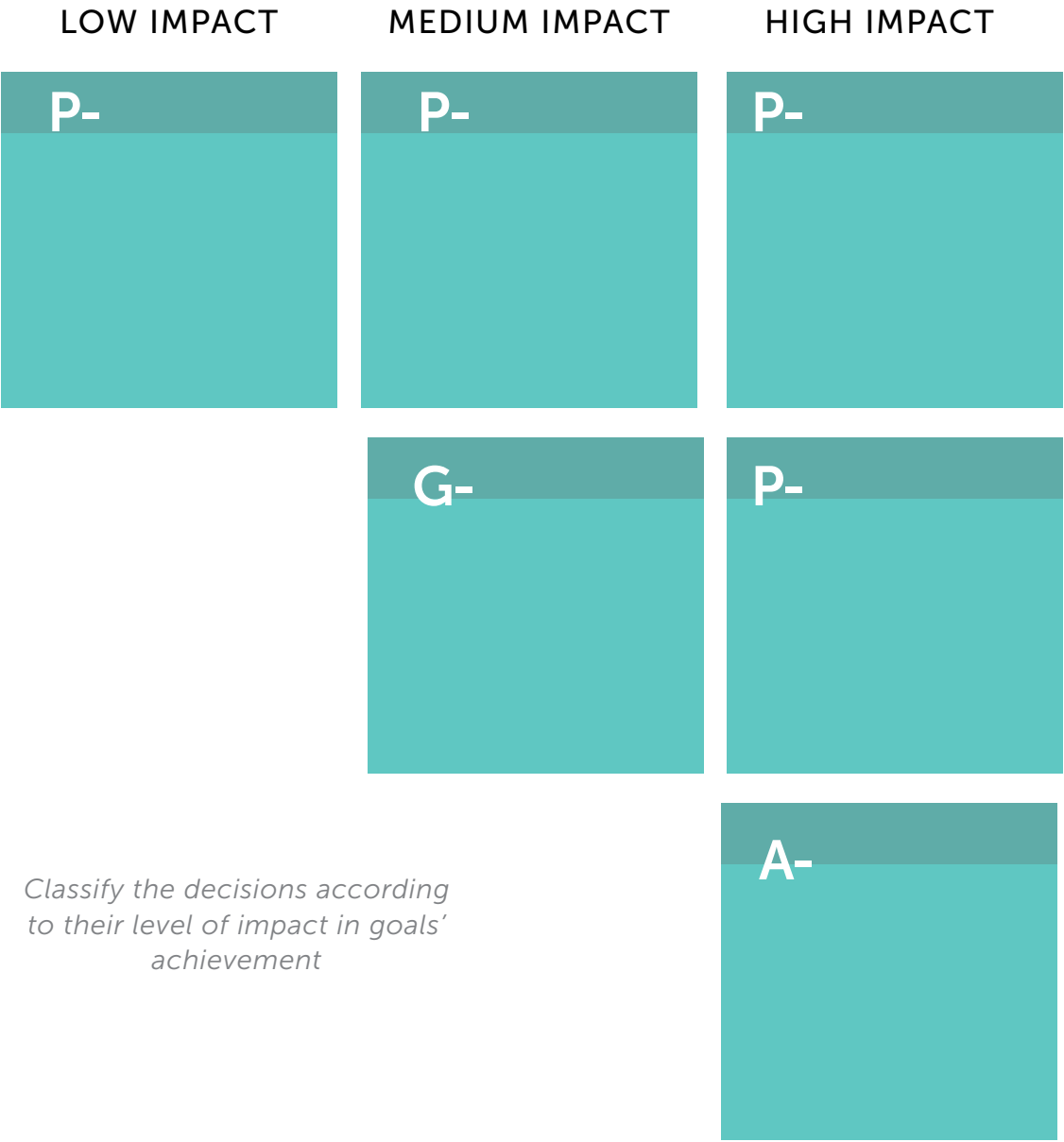
	P-	A-	G-	

P- For
functioning
policies
decisions

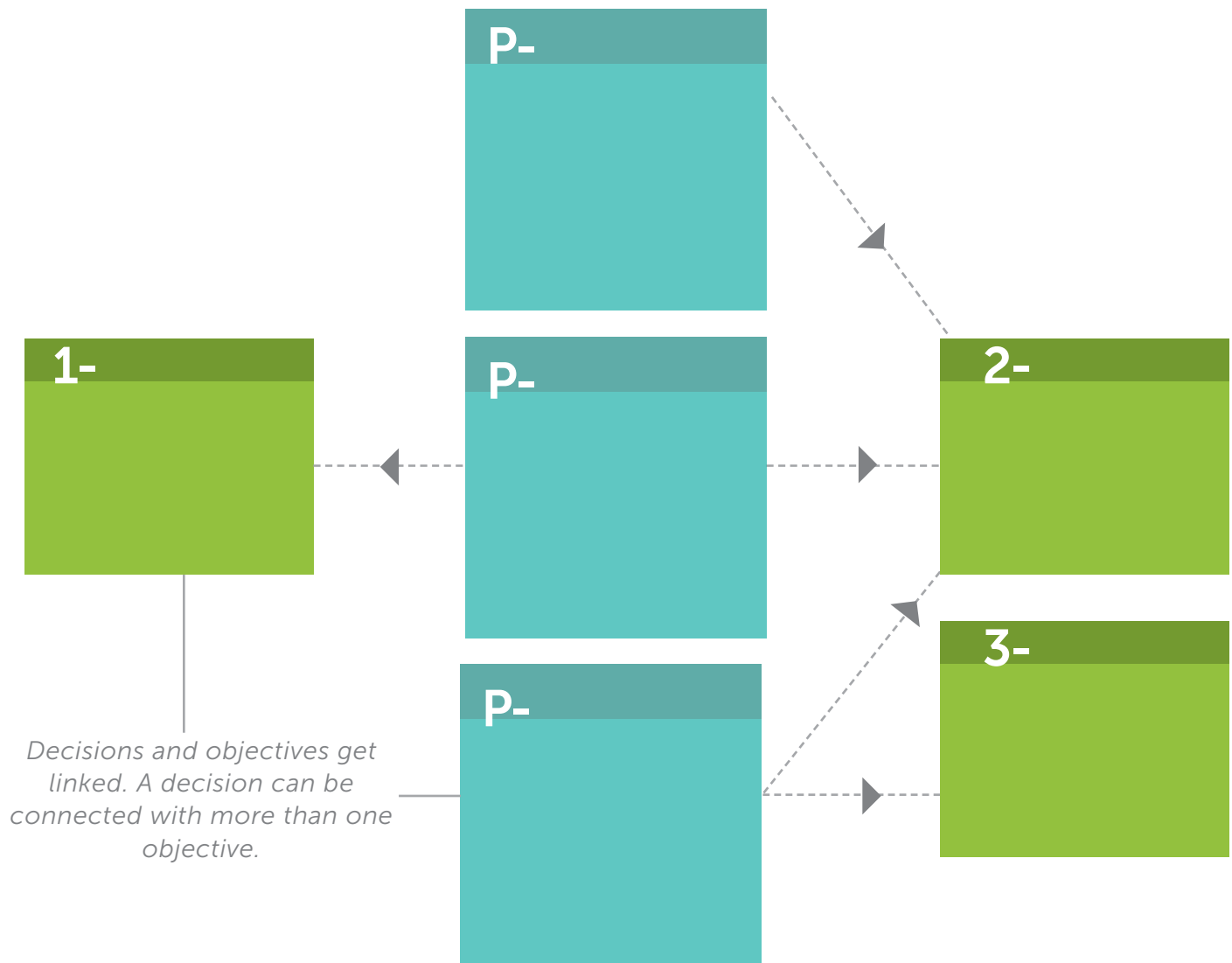
A- For Actives decisions

G- For
governance
decisions

Template 10 -Decisions classified by their impact in goals’ fulfilment

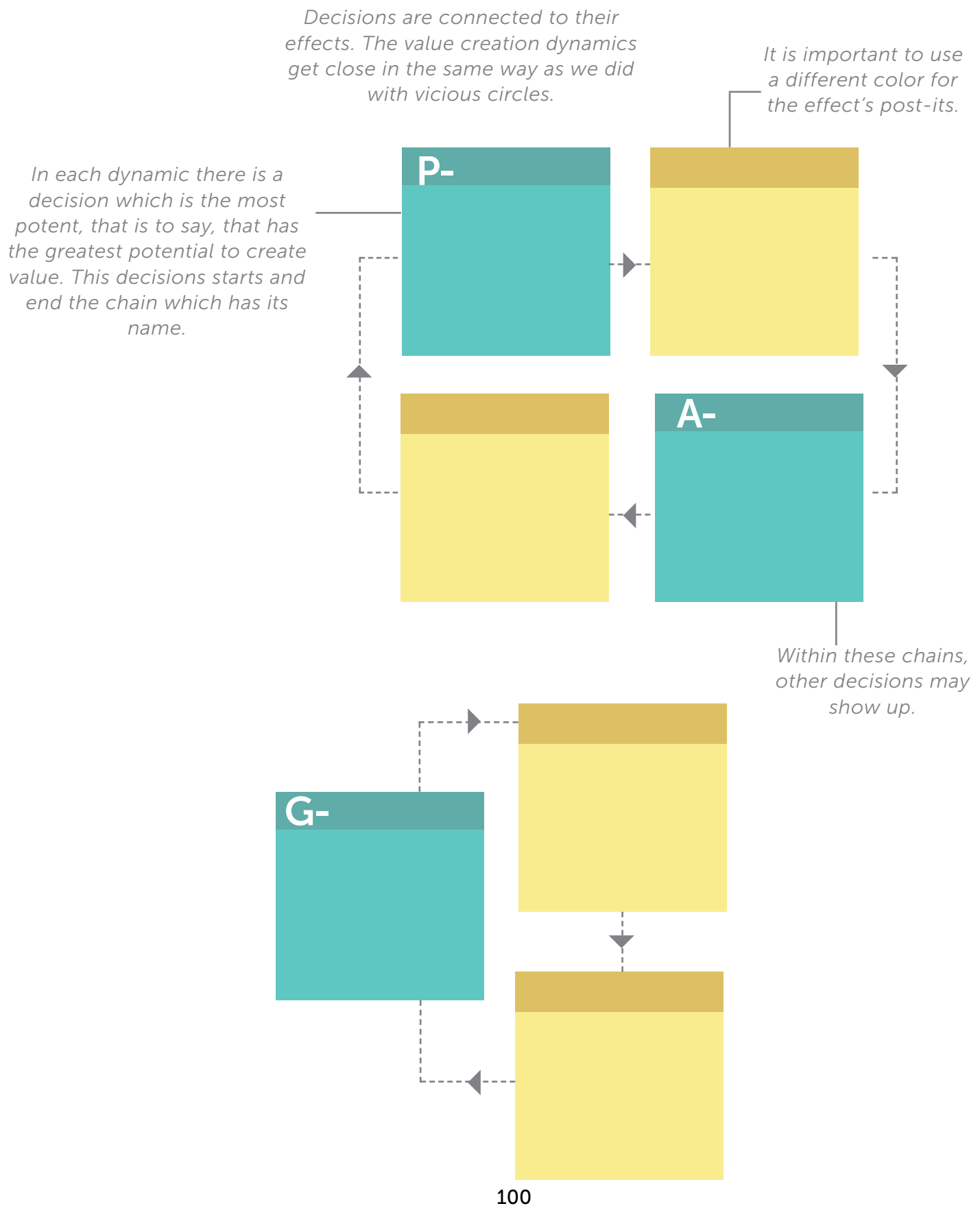


Template 11- Mind map of the prioritized decisions connected to objectives.
Belongs to 2.3.1 The systemic effect of strategic decisions



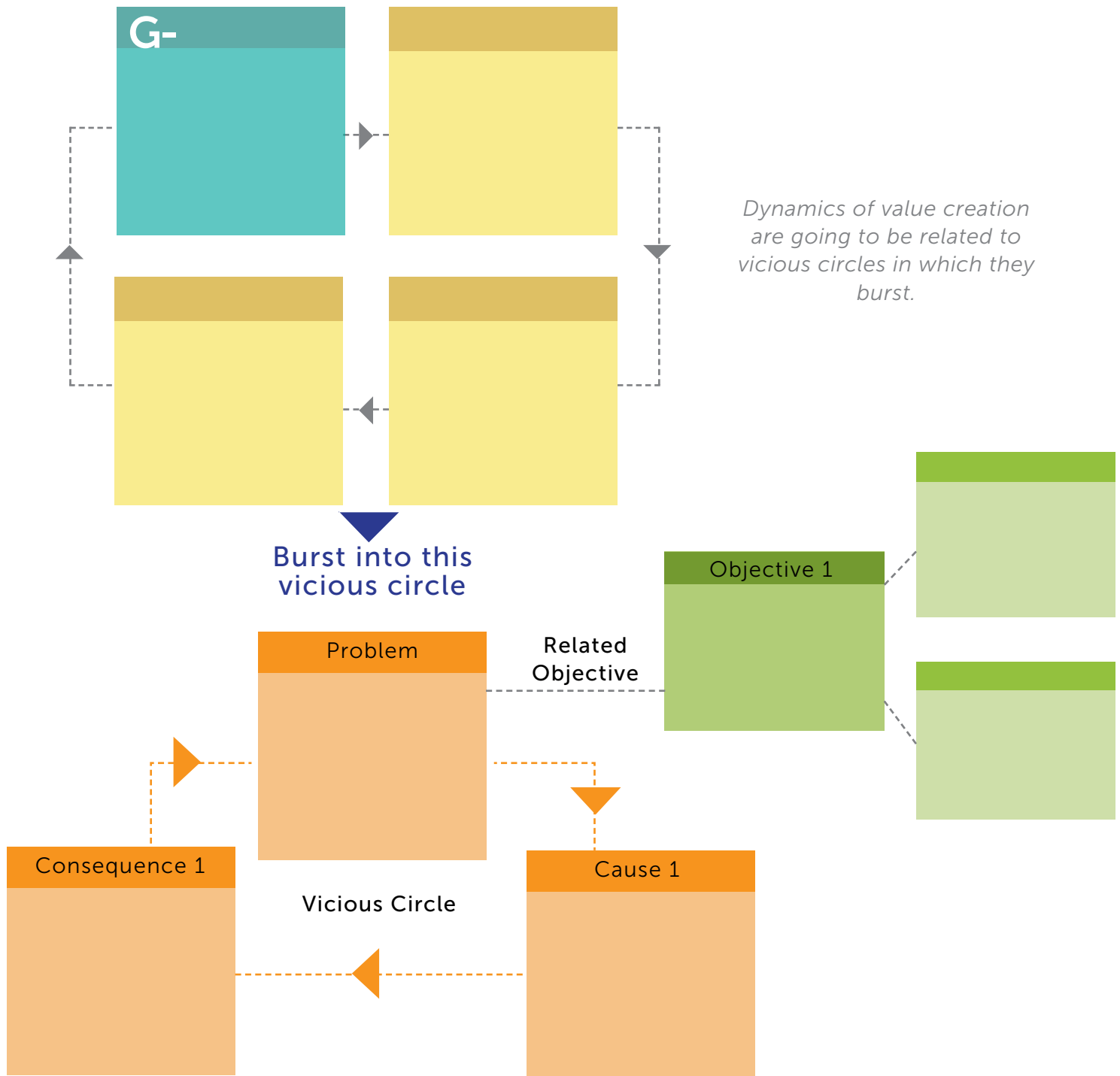
Template 12. Dynamics of value creation

Belongs to 2.3.1 The systemic effect of strategic decisions



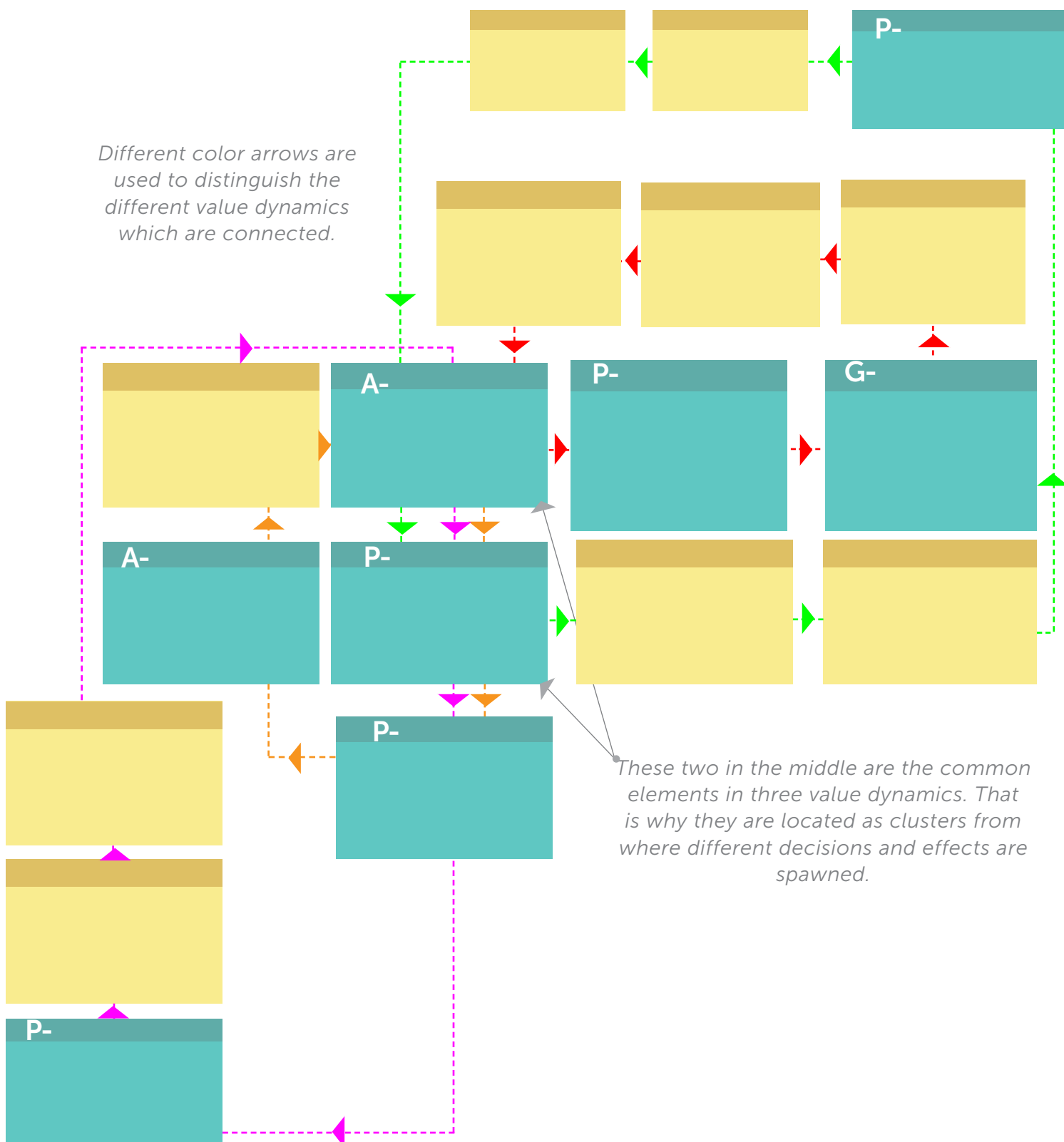
Template 13- Dynamics of value creation relative to vicious circles

Belongs to 2.3.2 Relation between dynamics and vicious circles



Template 14 – Classification of the dynamics belonging to 2.3.3

Different color arrows are used to distinguish the different value dynamics which are connected.



Template 15- 1.2.5 Structuring interacting dynamics belonging to 2.3.4

Type of inefficiency	Situations that constitute the vicious circle	Type of actors which could burst into that inefficiency	Type of relation that my model could have with that actor

Template 16- Consolidated model

Belongs to 3.1 Consolidated model

	DYNAMIC 1	DYNAMIC 2	DYNAMIC 3
<i>Who does what?</i>			
<i>Cash flow-transaction</i>			
<i>Investments</i>			
<i>Value proposal</i>			
<i>Key Resources</i>			
<i>Customers and Users</i>			

Template 17- Canvas of context analysis
Belongs to 3.2 Identifying ideal contexts.

Context´s key characteristics	Is it present in the identified context?	Alternatives	Other characteristics

Template 18- Canvas of model with dynamics

Belongs to 4.1 Planning and prioritizing processes

Dynamic of value	Key Activities	Roles

Belongs to 4.1 Planning and prioritizing processes

EARLY PHASE	INTERMEDIATE PHASE	ADVANCE PHASE

Activities implemented in each phase
will be written here.



Minka-Dev offers consultancy to apply this methodology. If your company is interested in this service write to info@minka-dev.com

