

INNOGROW Project

A1.2 “Methodology to collect and exchange cases of new business models for rural economy SMEs & corresponding dataset”



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1 Introduction

Rural economy SMEs need to remain globally competitive by adopting innovative solutions, new business models and modernisation approaches that can lead to increases in productivity and access to new markets. Territorial capacity building and policy innovation involving all regional actors are critical factors for promoting the diffusion of technological innovations, to maintain and strengthen SMEs' competitiveness and consequently regions' growth. Regional authorities in rural areas can play an important role in the modernisation of existing SMEs and the proliferation of innovative start-ups, providing incentives to promote the adoption of technological innovations, such as organic farming, functional food, crop resistance systems, selective breeding and feeding processes to boost livestock resistance to local conditions.

The "Regional policies for innovation driven competitiveness and growth of rural SMEs – INNOGROW" project aims to improve partners' policies on rural economy SMEs competitiveness regarding the integration of new production technologies and business models that lead to innovative products. The project will promote the adoption of innovation by rural economy SMEs, through sharing practices / experiences between regions and actors relevant to rural economy SMEs competitiveness and integrating lessons learnt into regional policies and action plans.

This document is an output of the Interreg Europe INNOGROW project and constitutes the first part of Activity 1.2 "Identifying successful new business models for rural economy SMEs", which aims to develop a good practice guide on new business models for rural economy SMEs in EU regions.

The main purpose of this report is to provide project partners with a methodology to identify and exchange good practices on emerging business models for rural economy SMEs (in own and neighbouring EU countries) that improve their competitiveness and allow for improved adoption of innovations.

In particular, the methodology report provides tools and guidelines to identify, collect and evaluate successful cases of new business models for rural economy SMEs, such as diversification of production, joint international marketing operations, new horizontal & vertical collaborations.

The methodology will define the research questions, objectives and policy purposes of the analysis, and will include the methodological tools and techniques to be employed for data collection, analysis and evaluation of cases. The methodology will also specify the evaluation and selection criteria, set case collection targets and present a time-plan for the timely and effective administration of data collection and analysis process.

The report is outlined as follows: section 2 provides working definitions for the terms “good practice”, “rural economy SMEs”, “business model” and “business model innovation”; section 3 describes the overall methodology approach, defining the research questions and providing the tools and techniques to be employed for data collection; and section 4 elaborates on the evaluation criteria for the selection of good practices;. Finally, section 5 presents a roadmap for the implementation of the INNOGROW Activity A1.2.

2 Key concepts and definitions

2.1 Good practices

INTERREG Europe, as a “capitalisation” programme, focuses on the identification, analysis, dissemination and transfer of good practices and policy experiences, with a view to improving the effectiveness of regional and local policies.

Practices (i.e. models, actions and initiatives, procedures, techniques or methodologies) that are proven to work well within certain geographic, administrative or organisational settings are defined as “good”, “best” or “effective”, based on their level of effectiveness, wider impact, transferability and replicability. A “good” practice also refers to the actions, processes, approaches or methodologies that have proven to be successful in a specific context (e.g. country, region, city, enterprise, organisational department) and demonstrate strong evidence that there might be also efficient in similar settings and environments.

Correspondingly, in the context of the Interreg Europe programme, a good practice is defined as “an initiative (e.g. methodology, project, process) undertaken in one of the programme’s thematic priorities, which has already proved successful and which has the potential to be transferred to a different geographic area. To be successful, an initiative should have already provided tangible and measurable results in achieving a specific objective”¹.

Despite the different definitions and approaches, it is generally accepted that in order for a practice to be considered as “good” it should meet certain prerequisites. Therefore, a “**good practice**” could be defined as a practice that a) addresses a common problem or issue experienced by different organizations / contexts / cities; b) makes an original contribution or offers a significant improvement to a shared problem compared to existing practices; c) is proven successful by providing measurable or demonstrable results or by going through internal or external validation and evaluation; d) can be effective in more than one organisational or regional settings; and e) can be replicated, at least to some extent.

¹ INTERREG Europe Programme glossary: <http://www.interregeurope.eu/help/glossary/>

2.2 Rural economy SMEs

Small and medium-sized enterprises (SMEs) are considered the backbone of Europe's economy as they represent 99% of all businesses across the EU. In the past five years, SMEs have created around 85% of new jobs and provided two-thirds of the total private sector employment in the Union. The European Commission considers SMEs and entrepreneurship as key to ensuring economic growth, innovation, job creation, and social integration in the EU.

Small and medium-sized enterprises (SMEs) are defined in the EU recommendation 2003/361. The main factors determining whether an enterprise is an SME are a) the staff headcount and b) either the turnover or balance sheet total. According to the European Commission, the category of small and medium-sized enterprises (SMEs) is made up of enterprises, which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million. Within the SME division, a small enterprise is defined as an enterprise, which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.

Company category	Staff headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

The term “**rural economy SMEs**” refers to small and medium businesses, which operate in rural areas and contribute to the GDP of rural areas, connected with rural-specific activities and make use of natural capital / rural environment. According to EU Urban-Rural Typology², a NUT3 region is classified as “Predominantly rural”, if the share of population living in rural areas is higher than 50% and the region does not contain an urban centre of more than 200.000 inhabitants representing at least 25% of the regional population. For the purposes of the INNOGROW project, the definition of “rural economy SMEs” will remain as broad as possible so that the project consortium can have more opportunities to discover and exchange best practices that will facilitate regional authorities to implement policies for

² http://ec.europa.eu/eurostat/statistics-explained/index.php/Urban-rural_typology

promoting the adoption of technology and business model innovations by SMEs in rural areas. Therefore, rural economy SMEs may comprise businesses driven by or based on natural capital or environment. This includes farming and forestry but also tourism, leisure, food (where linked to particular forms of natural capital or the environment, e.g. farm tourism, walking holidays) and/or activities of entrepreneurs locate in rural areas for quality of life.

2.3 Business model

The definition of the business model construct has been widely discussed both in academia and industry. Recent literature review indicates the increasing importance of “business process modelling” for enterprises and especially for SMEs. Notwithstanding, there is not any single universally accepted definition for business models, possibly due to the fact that the “business model” concept lacks theoretical grounding in economics or business studies. Actually, the term has been described in many different ways, using various definitions and interpretations that are shown to be particularly loose and ambiguous, applicable to various situations/settings with different meanings.

Venkatraman and Henderson (1998) argue that a business model is a strategy that reflects the architecture of an organisation along three main vectors: customer interaction, asset configuration, and knowledge leverage. Rajala and Westerlund (2007) suggest that the term “business model” explains how value is created for the customers and how value is captured for the company/organisation and its stakeholders.

Chesbrough and Rosenbloom (2002) define the term as «the heuristic logic that connects technical potential with the realization of economic value», while Shafer et al. (2005) explains a business model as a representation of the underlining core logic and strategic choices for creating and capturing value within a value network.

Al-Debei et al. (2008) indicate that value proposition, value architecture (the organisational infrastructure and technological architecture that allows the movement of products, services, and information), value finance (modelling information related to total cost of ownership, pricing methods, and revenue structure), and value network articulate the primary constructs or dimensions of business models.

According to David Teece (2010), a business model articulates the logic, the data, and other evidence that support a value proposition for the customer, and a viable structure of revenues and costs for the enterprise delivering that value. Steven Black (2008) argues that a business model is a combination of a firm's structure and its strategies for accomplishing its short and long-term business goals.

Zott et al. (2010) conclude that there seems to emerge a common understanding of the business model concept among researchers, i.e. it is widely accepted that the business model concept is emerging as a new unit of analysis, that business models emphasise on a system level a holistic approach towards explaining how firms do business, that organisational activities play an important role in the various conceptualizations of business models, and that business models seek to explain how value is created and captured.

Overall, a **“business model”** can be defined as the strategy that a company/organisation employs to achieve its operational goals and strategic objectives (e.g. to generate revenue from its product or service offerings). In essence, a business model embodies the organisational and financial ‘architecture’ of a business, and describes the rationale of how this business or organisation creates, delivers, and captures value in economic, social, cultural or other contexts.

2.3.1 Types of business models for rural economy SMEs

The main purpose of INNOGROW Activity 1.2 is to identify good practices on emerging business models for rural economy SMEs that improve their competitiveness and productivity. A preliminary desk research indicates that several types of business models have been adopted by rural economy SMEs (to capture value from technological innovation and economies of scale) as a part of an overall strategy to increase their economic benefits and survive in a competitive environment. The following is an indicative list of business models that are currently being used in the marketplace and work for businesses in rural areas.

Table 1: Types of business models (indicative list)

Business model	Brief explanation
Producer organisation / Cooperatives	A jointly owned enterprise (e.g. agricultural cooperative) engaging in the production/ distribution of goods or the supplying of services, operated by its members (e.g. farmers) to meet common economic, financial and societal needs, strengthening their position in the supply chain.
Horizontal supply chain collaboration	Companies of the same industry and in the same stage of production work together to support innovation and improve their competitiveness.
Vertical supply chain collaboration	Two or more independent companies across the supply chain work jointly to plan and execute supply chain operations with greater success than acting in isolation
R&D co-operations	Collaboration with technology partners (e.g. universities, R&D institutes, technology parks, clusters) to enable specialisation / product innovation.
Internal R&D	Operation of an internal R&D department to enable the development of own portfolio of technologies or/and products.
Trading relationships	Durable and stable trading relationships with large companies and market leaders.
Product diversification	Restructuring or diversification of production (through modifying existing products or adding new products to the range) and commercialisation to enter new markets.
Market development	Development of new market segments for current products.
Market penetration	Increasing the market share of an existing product, through strategies such as bundling, advertising or lower prices.
Public Private Partnerships	Public-Private Partnerships to strengthen SME's capacity, competitiveness & development (e.g. through accessing financing).
Joint ventures	Formation of a new company, where parent companies have ownership and contribute complementary assets, technologies and human resources.
Value chain development	Co-operation with other companies, stakeholders to foster inclusive /sustainable value chain & market system development.

2.4 Business Model Innovation

“Business Model Innovation” (BMI) refers to the introduction of innovation within the business model or/and organisational structure of a company, to foster rapid growth and increase business competitiveness. Innovation in a business model is more than a mere product, service or technological innovation. It goes beyond single-function strategies (such as the development of a new product), including the reorientation of business strategy and the incorporation of innovative processes within the business system architecture (e.g. flexible pricing scheme, co-branding, participation in collaboration networks). The main purpose of business model innovation is to generate new revenue channels by improving product features and employing innovative processes and means to deliver additional value to customers.

To put it differently, BMI revolves around the idea of fundamentally rethinking business structure and activities to address a clear customer need, including realigning business resources, processes, partnerships and profit formula to enhance the value proposition of offerings (e.g. to offer biological, inexpensive foods to customers), capture new market segments and alienate competitors.

Business model innovation may include different types of innovation, based on the dimension of the business model changed for increasing the value proposition of offerings. To facilitate the identification of patterns of business model innovation for rural economy SMEs, the methodology will rely on the “Ten Types of Innovation” framework³, which constitutes a generic guide for identifying innovation opportunities and evaluating how businesses are performing against competitors. According to this framework, innovation can be found in the following dimensions of a business model:

Table 2: Types of Innovation within the business system architecture

Type of innovation	Brief explanation
Profit Model innovation	Introduction of innovative pricing strategies and models (e.g. bundled or flexible pricing, financing, advertising revenue, membership, metered or subscription models)

³ Keely et al. (2013), “Ten Types of Innovation: The Discipline of Building Breakthroughs”, WILEY.

Type of innovation	Brief explanation
Network innovation	Participation in collaborative arrangements with other organisations and companies to foster rapid growth and increase business competitiveness (e.g. horizontal or vertical supply-chain integration, joint-ventures, cooperatives)
Structure innovation	Reorientation of the organisational structure and aligning talents and assets to create more value (e.g. clustering of units or departments)
Process innovation	Adoption of a signature and superior method for creating value (e.g. on-demand production, flexible manufacturing, process standardization)
Product Performance innovation	Design of products/services that work better to deliver superior value to customers (e.g. superior product, ease of use, safety, customization, environmental sensitivity)
Product System Innovation	Creating complementary products and services that connect or bundle together to create more value (e.g. complements, extensions/plugin-ins, modular systems, etc.)
Service Innovation	Adding value in how you support customers find, buy, pay, enjoy and dispose of your product (e.g. try before you buy, loyalty programs, personalized service, lease or loan)
Channel Innovation	Introduction of innovative ways to deliver your offerings to customers and users (e.g. diversification, flagship store, pop-up presence, on-demand, context specific)
Brand Innovation	Presenting your offerings and business in a distinctive, memorable, and likeable way (e.g. co-branding, private label, certification, brand leverage)
Customer Engagement Innovation	Innovation in how you foster compelling interactions (e.g. personalization, experience simplification, process automation, mastery)

3 Methodology overview

3.1 Purpose and research questions

The policy purpose of the Activity A1.2 is to inform policy makers about the existing and potential benefits of new business models for rural SMEs, and to promote the improvement of own policy instruments' implementation, by prioritising measures based on successful cases and examples.

This methodology will structure, orientate and guide the collection and analysis of cases of new business models that will lead to the development of a Good Practice Guide in a subsequent step. To this end, this methodology report will define the criteria and tools to identify, evaluate and further analyse the good practices on emerging business models for rural economy SMEs, facilitating the exchange of experience between regional public authorities.

The gathering of cases and empirical evidence aims to provide insights regarding: a) the existing and potential benefits of new business models for rural economy SMEs, b) the effectiveness, impact and assessment of certain types of business models and approaches, and c) the potential transferability and uptake by stakeholders, identifying under which circumstances these models can be transferred and adopted by rural economy SMEs in the countries of the consortium. This study will therefore address the following research questions:

1. To what extent, has the adoption of new business models proven successful in improving rural economy SMEs' competitiveness?
2. Which have been the most effective and successful types of business models in promoting innovation adoption by rural economy SMEs?
3. Why such cases have been effective? What are the success factors?
4. What are the main benefits created by the implementation of business model innovation at both business operational and regional level?
5. How transferable are these types of business models and initiatives?
6. Is there a consistent set of guidelines for the successful adoption and consolidation of business models, aiming to improve rural economy SMEs competitiveness and innovation capacity?

3.2 Data collection (desk research)

Desk research⁴ will be the method of information gathering on successful business models for rural economy SMEs. An extensive desk research will be conducted, for the collection of data and evidence about cases of successful business models, to foster rapid innovation and increase their competitiveness.

In order to narrow down the scope of the analysis and ensure that the evidence collected is focused appropriately and reflects up-to-date facts and figures, data collection should have a targeted approach based on the following criteria:

- A business model for rural economy SMEs needs to have a **combination of the following characteristics** in order to be considered successful: a) offer significant value to customers, b) deliver products or services with high profit margins, c) maintain or strengthen market position, d) secure business financial sustainability, e) contribute to the GDP of rural area, and f) increase job opportunities, enhancing the viability of rural areas.
- Cases on successful business models should be retrieved from the **countries represented in the project consortium** (Greece, United Kingdom, Italy, Hungary, Slovenia, Bulgaria, Czech Republic and Latvia), and where relevant / available **the rest EU member states**.
- Data collection should focus on recent cases of business model innovation, adopted by rural economy SMEs, **during the last 5-10 years**.
- Data collection should focus on the identification of successful business models that have been adopted by SMEs, which **operate in rural areas**, contribute to the GDP of rural area, connected with rural-specific activities and **make use of natural capital / rural environment**. The following categories of activities are considered relevant in the INNOGROW context.

⁴ Desk research (also known as secondary research) involves the summary, collation and/or synthesis of information retrieved from existing research and publicly available (e.g. reports, books), in juxtaposition with primary research, which entails the gathering of original data, using questionnaires or interviews with individuals.

CATEGORIES OF RURAL-SPECIFIC ACTIVITIES
1. AGRICULTURE, FORESTRY, ANIMAL HUSBANDRY AND FISHING
2. MANUFACTURING - Manufacture of food products - Manufacture of beverages - Manufacture of tobacco products
3. ACCOMMODATION AND FOOD SERVICE ACTIVITIES (AGRO-TOURISM) - Accommodation - Food and beverage service activities - Tourism-oriented transportation
4. ENERGY AND RESOURCES
5. OTHER SECTORS/INDUSTRIES RELATED TO RURAL SPECIFIC ACTIVITIES

The data will be gathered from relevant secondary sources of information such as corporate websites, web portals of agencies or/and bodies responsible for the promotion of innovation in rural areas, and academic journals. Other possible sources of information are the outcomes of similar research conducted in the context of other EU projects, as well as case studies & surveys carried out for other organisations or businesses. Indicatively, possible sources of information can be:

1. Journals and other academic sources:

- Journal of Engineering, Project and Product Management
- Journal of Small Business and Enterprise Development
- International Journal of Entrepreneurial Behaviour & Research
- Long Range Planning, Elsevier
- Journal of Business & Economics
- Journal of Enterprise Information Management
- Journal of Business Models

2. Business and industry research reports:

- Innovation in European food SMEs: determinants and links between types (<http://www.fupress.net/index.php/bae/article/view/14705/15179>)
- Small And Medium Enterprises In Agriculture Value Chain
- Financial services for small and medium-scale aquaculture and fisheries producers (https://www.researchgate.net/publication/257163149_Financial_services_for_small_and_medium-scale_aquaculture_and_fisheries_producers)
- The reasons for new business models for SMEs in construction sector for energy retrofitting of buildings (<http://www.newbee.eu/download-area/the-reasons-for-new-business-models-for-smes-in-construction-sector-for-energy-retrofitting-of-buildings>)
- Business models For Small Farmers and SMEs (http://www.fao.org/fileadmin/templates/est/AAACP/FAO_Business_models_for_Small_Farmers_2008_1_.pdf)

3. Relevant EU projects:

- SMARTIN - SMART Interregional cooperation strategy for innovation capacities in the energy sector on the MED area (www.smartinmed.eu)
- ENVISION - Empowering (European) SME business model innovation (www.envisionproject.eu)
- BUSINESS TO NATURE - Interregional Approach to SMEs and Entrepreneurship in Natural Areas (www.business2nature.eu)
- RURALAND - Rural Development Players (www.ruraland.eu)
- REBus - Developing resource efficient business models (www.rebus.eu.com)

4. International institutions:

- OECD
- The World Bank (Agribusiness Entrepreneurship)
- International Finance Corporation
- Food and Agricultural Organisation of the United Nations

3.3 Good practice documentation sheet

A common approach will be employed to ensure that all cases collected are documented in a clearly structured and consistent manner. The case documentation sheet aims to provide a basic tool for data collection and reviewing, to be completed with data and evidence drawn from desk research (to be carried out by project partners). To ensure consistency and facilitate data analysis, the form will be developed and completed in English.

The cases documentation form presented in this section will guide partners in the identification of the most relevant cases of successful business models for rural economy SMEs, taking into account the criteria described in section 4.1. The criteria have been developed to provide project partners with a uniform and consistent orientation framework. Cases collected that does not comply with the above mentioned criteria will not be included in the final report.

The documentation tool makes sure that all critical aspects and facts and figures of each case are fully recorded:

- Country, region or territory of business operations
- Type of rural-specific activities (e.g. agriculture, manufacture of food, accommodation)
- Product and services offered
- Actors/organisations involved
- Time of implementation and duration
- Type of innovation (e.g. Introduction of a new business model)
- Type of business model as part of the overall business strategy (e.g. cooperatives, horizontal supply chain integration, internal R&D)
- Innovative aspects of the business model (e.g. flexible pricing model, personalised services, process automation)
- Main benefits of the practice at both business operational and regional level (e.g. cost reduction, risk sharing, access to new markets, contribution to the regional GDP)
- Transferability
- Recognition from external bodies or authorities (e.g. national business model competition)
- Additional information (e.g. URL, sources)

 		
INNOGROW - Regional policies for innovation driven competitiveness and growth of rural SMEs		
Activity 1.2: Identifying successful new business models for rural economy SMEs		
Collection of good practices on emerging business models for rural economy SMEs		
Title:		
A. FACTS & FIGURES		
LOCATION	Country :	
	Region:	
	City/Town: (if applicable)	
ACTIVITIES / MAIN FOCUS	Category of rural-specific activities:	<input type="checkbox"/> Accommodation <input type="checkbox"/> Agriculture <input type="checkbox"/> Animal husbandry <input type="checkbox"/> Aquaculture / Fishing <input type="checkbox"/> Energy and Resources <input type="checkbox"/> Food and beverage service activities <input type="checkbox"/> Forestry <input type="checkbox"/> Manufacture of beverages <input type="checkbox"/> Manufacture of food products <input type="checkbox"/> Manufacture of tobacco products <input type="checkbox"/> Tourism oriented transportation <input type="checkbox"/> Other (please specify)
	Products/Services offered:	
	Actor(s) involved:	
	Start Year:	
DURATION	Start Year:	

B. CASE DESCRIPTION	
Type of innovation	<input type="checkbox"/> Introduction of a new business model <input type="checkbox"/> Adoption of innovation within one or more dimensions of an existing business model
Please indicate the type of business model as part of the overall business strategy: <i>(select all that apply)</i>	<input type="checkbox"/> Producer organisation / Cooperatives (A jointly owned enterprise (e.g. agricultural cooperative) engaging in the production/ distribution of goods or the supplying of services, operated by its members (e.g. farmers) to meet common economic, financial and societal needs, strengthening their position in the supply chain) <input type="checkbox"/> Horizontal supply chain collaboration (Companies of the same industry/sector and in the same stage of production work together to support innovation and improve their competitiveness) <input type="checkbox"/> Vertical supply chain collaboration (Two or more independent companies across the supply chain work jointly to plan and execute supply chain operations with greater success than acting in isolation) <input type="checkbox"/> R&D co-operations (Collaboration with technology partners (e.g. universities, R&D institutes, technology parks, clusters, etc.) to enable specialisation) <input type="checkbox"/> Internal R&D (Operation of an internal R&D department to enable the development of own portfolio of technologies or/and products) <input type="checkbox"/> Stable trading relationships (Durable and stable trading relationships with large companies and market leaders) <input type="checkbox"/> Product diversification (Restructuring or diversification of production and commercialisation to enter new markets) <input type="checkbox"/> Market development (Development of new market segments for current products) <input type="checkbox"/> Market penetration (Increasing the market share of an existing product, through strategies such as bundling, advertising or lower prices) <input type="checkbox"/> Public Private Partnerships (Public-Private Partnerships to strengthen SME's capacity, competitiveness & development (e.g. through accessing financing) <input type="checkbox"/> Joint ventures (Formation of a new company, where parent companies have ownership and contribute complementary assets, technologies and human resources) <input type="checkbox"/> Other (please specify)

<p>Please define the innovative aspects of the business model <i>(select all that apply)</i></p>	<ul style="list-style-type: none"> <input type="checkbox"/> Profit Model innovation: Introduction of innovative pricing strategies and models (e.g. bundled or flexible pricing, financing, advertising revenue, membership, metered or subscription models) <input type="checkbox"/> Network innovation: Participation in collaborative arrangements with other organisations and companies to foster rapid growth and increase business competitiveness (e.g. horizontal or vertical supply-chain integration, joint-ventures, cooperatives) <input type="checkbox"/> Structure innovation: Reorientation of the organisational structure and aligning talents and assets to create more value (e.g. clustering of units or departments) <input type="checkbox"/> Process innovation: Adoption of a signature and superior method for creating value (e.g. on-demand production, flexible manufacturing, process standardization) <input type="checkbox"/> Product Performance innovation: Design of products/services that work better to deliver superior value to customers (e.g. superior product, ease of use, safety, customization, environmental sensitivity) <input type="checkbox"/> Product System Innovation: Creating complementary products and services that connect or bundle together to create more value (e.g. complements, extensions/plugin-ins, modular systems, etc.) <input type="checkbox"/> Service Innovation Adding value in how you support customers find, buy, pay, enjoy and dispose of your product (e.g. try before you buy, loyalty programs, personalized service, lease or loan)) <input type="checkbox"/> Channel Innovation: Introduction of innovative ways to deliver your offerings to customers and users (e.g. diversification, flagship store, pop-up presence, on-demand, context specific) <input type="checkbox"/> Brand Innovation: Presenting your offerings and business in a distinctive, memorable, and likeable way (e.g. co-branding, private label, certification, brand leverage) <input type="checkbox"/> Customer Engagement Innovation: Innovation in how you foster compelling interactions (e.g. personalization, experience simplification, process automation, mastery)
<p>Please briefly describe the business model adopted</p>	

C. RESULTS & PROSPECTS	
<p>What were the main benefits created by the implementation of business model innovation at operational level? <i>(select all that apply)</i></p>	<ul style="list-style-type: none"> <input type="checkbox"/> Higher productivity <input type="checkbox"/> Cost reduction <input type="checkbox"/> Better service quality <input type="checkbox"/> Secure / strengthen market position <input type="checkbox"/> Access to new markets / Internationalisation <input type="checkbox"/> Greater customer base <input type="checkbox"/> Increased process automation and operational efficiency <input type="checkbox"/> Increased bargaining power <input type="checkbox"/> Other (please specify) <p><i>Please briefly discuss about the degree of impact on the selected categories of benefits</i></p> <div style="border: 1px solid black; height: 40px; width: 100%;"></div>
<p>What were the main benefits created by the implementation of business model innovation at regional level? <i>(select all that apply)</i></p>	<ul style="list-style-type: none"> <input type="checkbox"/> Contribution to the regional GDP <input type="checkbox"/> Increase in job opportunities (employment) <input type="checkbox"/> Enhanced regional research and innovation capacity <input type="checkbox"/> Reduce in greenhouse gas emissions <input type="checkbox"/> Improved resource efficiency <input type="checkbox"/> Other (please specify) <p><i>Please briefly discuss about the degree of impact on the selected categories of benefits</i></p> <div style="border: 1px solid black; height: 40px; width: 100%;"></div>
<p>How would you describe the business model adopted?</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Very successful <input type="checkbox"/> Quite successful <input type="checkbox"/> Somewhat successful <input type="checkbox"/> A little successful <input type="checkbox"/> Not at all successful <input type="checkbox"/> Do not know / Do not wish to answer

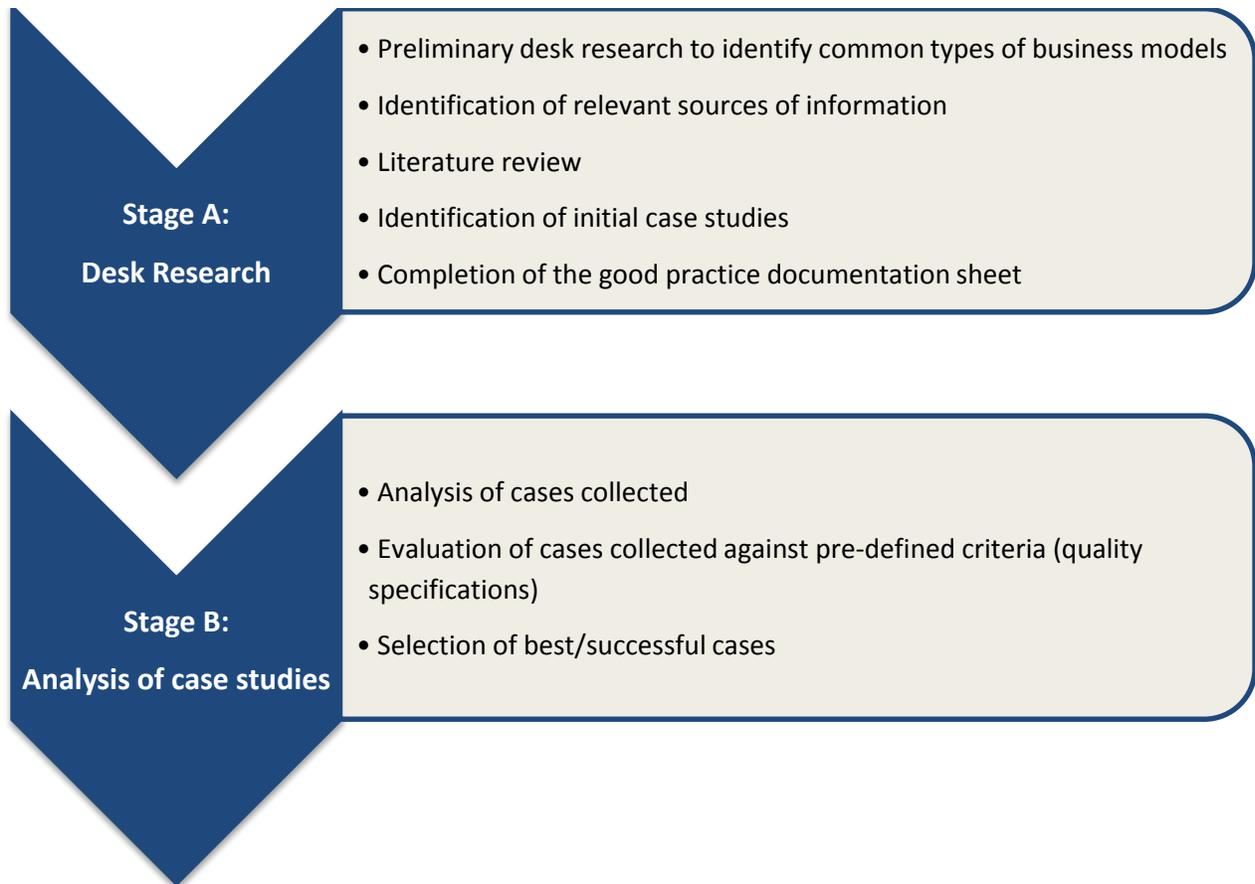
What are the most significant features of the business model that make it transferable?	<input type="checkbox"/> Use of standardised technology solutions and processes <input type="checkbox"/> Problems addressed are common among many rural economy SMEs organisations and different regions/countries. <input type="checkbox"/> Demonstrated achieved benefits outweigh investment costs by far <input type="checkbox"/> Low implementation risks <input type="checkbox"/> Small change in daily operations, low risk of organisational resistance <input type="checkbox"/> Other (please specify)
Has the business model been recognised by an external body / authority as successful (e.g. national business model competition)	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Do not Know If yes, please indicate the external body/authority:
Further information (URL, sources)	

The online form to be used by project partners for collecting good cases on successful business models for rural economy SMEs can be found at the following link:

(https://docs.google.com/forms/d/1HJZsb12IAT0LcNFOZlbonJemIWylTDj5yuYBsurkWDk/viewform?usp=send_form).

3.4 Stages, milestones and metrics

Research and data collection will be implemented in two stages including desk research, and analysis of case studies as indicated below.



Data collection metrics are defined by the project’s target of identifying 20 good practice cases on successful new business models for rural economy SMEs. Forty to eighty cases will be collected and evaluated, with the aim of selecting the best practices on emerging business models for rural economy SMEs. Information gathering will focus primarily on the EU countries represented in the project consortium (Greece, United Kingdom, Italy, Hungary, Slovenia, Bulgaria, Czech Republic and Latvia) and secondarily on neighbouring countries and other EU member states.

Table 3: Case collection targets per partner

Partner	Country	Low target	Medium target	High target
RoT		5	8	10
FLA		6	10	12
ZPR		3	4	6
UNEW		7	10	14
SZREDA		3	4	6
RRAPK		3	4	6
CoC - Molise		6	9	12
BSC		3	5	6
PANOV		4	6	8
<u>Total</u>		40	60	80

4 Evaluation of practices

4.1 Good practice criteria

The cases to be collected on successful business models for rural economy SMEs are going to be reviewed, analysed and evaluated, based on the information and data compiled through desk research.

The methodology report will define a set of quality specifications to facilitate the evaluation of collected cases on a ‘good practice’ basis. To ensure both consistency and quality, these good practice criteria or quality specification has been defined, taking into account: a) the common documentation tool to be used for all cases, b) the key findings and conclusions from preliminary desk research, carried out to determine what is known already and what data is required to facilitate research methodology design, and c) the Interreg Europe Programme good practice approach and definition (see section 2).

Cases will be analysed on the basis of five evaluation fields: a) organisational impact, b) regional level impact, c) innovation, d) scalability and e) transferability); targeting to match the definitions and prerequisites of what should be considered a good practice of successful business models for rural economy SMEs. In each field, a set of evaluation criteria and objectives have been identified that further disseminate and explain the main purpose of each evaluation field. Consequently, each collected practice will be evaluated according to the parameters described in the table below.

Table 4: Good practice criteria

Evaluation Field fields	Evaluation criteria	Objectives
1. Organisational impact	Degree of organisational impact	Identify the main benefits achieved by the implementation of the business model and evaluate the level of impact in terms of productivity, cost reduction, service quality, etc.
2. Regional level impact	Level of solution impact at regional level	Assess whether the implemented practice (i.e. business model innovation) addresses regional issues (e.g. research and innovation capacity, employment, environmental pressures)

Evaluation Field fields	Evaluation criteria	Objectives
3. Innovation	Degree of innovation at the level of the business model	Assess whether the business model integrates different types of innovation (e.g. profit model innovation, network innovation) to increase the value proposition of offerings.
4. Scalability	Level of scalability	Assess how easy it is to expand a business model without equally increasing its cost base.
5. Transferability	Level of transferability	Assess a business model's potential or proven record of being transferred to different geographic contexts and organisational settings.

In order to be classified as good or not, each of the collected practices will receive a score from 1 to 5 for each of the fields described above. The identification of a good practice will be based on whether the practice reaches the scoring thresholds that will be defined for each criterion, according to its relevant importance.

The good practice criteria, along with an indicative setting of scoring and their thresholds are analytically presented in table 5. The definition of the evaluation criteria as well as their scoring and thresholds are based on previous studies on practice evaluation, as described in the relevant (academic and non-academic) literature⁵. According to the existing relevant studies and methodologies, the criteria estimated to matter the most for the identification and evaluation of a good practice are the ones that get the highest (and above the average) scoring thresholds.

⁵ For example: http://www-pub.iaea.org/MTCD/publications/PDF/TE_1581_web.pdf

Table 5: Evaluation criteria, score and thresholds

CRITERIA	SCORE					THRESHOLD
	1	2	3	4	5	
<i>Degree of organisational impact</i>	The business model resulted in loss of productivity, competitiveness and operational efficiency	The implementation of the business model had neutral results in terms of productivity, competitiveness and operational efficiency	The implementation of the business model had low but positive results in terms of productivity, competitiveness and operational efficiency	The business model had positive results in terms of productivity, competitiveness and operational efficiency	The implementation of the business model increased significantly business' productivity, competitiveness and operational efficiency	3
<i>Level of solution impact at regional level</i>	The practice does not address any acknowledged regional issue (e.g. employment, environmental pressures)	The practice addresses a unique problem within the boundaries of the geographical scope	The practice relates to more than one problem encountered within the boundaries of the geographical scope.	The practice relates to at least one common problem/issue encountered by rural areas	The practice addresses widespread regional issues that are relevant to all rural contexts	2
<i>Degree of innovation</i>	The business model does not integrate any type of innovation within the business system architecture	The business model does not integrate any type of innovation within the business system architecture; however it supports the application of new technologies	The business model integrates at least one type of innovation within the business system architecture (e.g. profit model innovation)	The business model integrates at least one type of innovation within the business system architecture; supporting also the application of new technologies	The business model integrates more than two types of innovation within the business system architecture	3
<i>Level of scalability</i>	Expanding the model incurs significant additional costs (investments, operational) and complexity, rendering it ineffective.	The larger scale implementation of the model yields notably lesser benefits than small-scale implementation.	The expansion of the business model retains the benefit/cost ratio.	Larger scale implementation leads to considerable decrease of costs and/or increase of positive impact.	Larger scale implementation leads to massive decrease of costs and/or increase of positive impact.	3

CRITERIA	SCORE					THRESHOLD
	1	2	3	4	5	
<i>Level of transferability</i>	The practice has not shown any indications of transferability to different rural settings/activities	The practice has shown indications of possible replication in a limited number of rural contexts.	The practice has demonstrated strong potential of being replicated in different settings	The practice has been transferred to other SMEs in rural areas	The practice has been transferred to more than one organisations and rural contexts	3

For the purposes of INNOGROW Activity 1.2, a case (i.e. business model) will be classified as good only if it scores above the threshold in at least 3 out of 5 criteria. Those cases that achieve the aforementioned goal will then be ranked and compared based on their overall score. The overall score of each case will be the average of the “above the threshold” criteria.

5 Action plan and roadmap for data collection

In order to extract information on emerging business models for rural economy SMEs and identify the most successful ones, a sufficient number of cases should be gathered through desk research. The table below illustrates an indicative target number for the collection of evidence/data from the consortium countries and other EU member states. These metrics will facilitate the monitoring of data collection process, ensuring inter alia the timely and successful implementation of the INNOGROW Activity A1.2 “Identifying successful new business models for rural economy SMEs”.

The first draft of methodology, including data collection forms, will be delivered by SZREDA during the first week of July. Feedback regarding the methodology report is expected from project partners within the next two weeks after delivery of the draft paper. Any comments and feedback will be embedded into the final methodology report until the end of July. The deadline for reporting cases of new business models for rural economy SMEs by filling in the “good practice case documentation form” is the 31st of October. All evidence should be gathered and delivered in an integrated format in the beginning of the next month.

At the final phase, RoT will analyse and evaluate the collected cases against the pre-defined good practice criteria, to proceed with the development of the good practice guide on successful business models for rural economy SMEs, which is to be delivered until 31 December 2016.

Table 6: Case collection targets per partner

Partner	Country	Target number of cases to be collected
RoT		5-10
FLA		6-12
ZPR		3-6
UNEW		7-14
SZREDA		3-6
RRAPK		3-6
CoC - Molise		6-12
BSC		3-6
PANOV		4-8
<u>Total</u>		40-80

Chart of implementation for the INNOGROW A1.2 “Identifying successful new business models for rural economy SMEs”

	Months	July	August	September	October	November	December
A1.2 “Identifying successful new business models for rural economy SMEs”	Partners						
Methodology for the collection/analysis of cases of new business models (draft version)	SZREDA						
Review of the research methodology	All partners						
Update methodology according to project partners’ comments and feedback	SZREDA						
Collection of cases of new business models for rural economy SMEs by filling in the documentation form	All partners						
Analysis and evaluation of cases collected against the pre-defined good practice evaluation criteria	RoT						
Development of the good practice guide on new business models for rural economy SMEs	RoT						

6 ANNEX (Example): “THESGALA” Dairy Cooperative

 		
INNOGROW - Regional policies for innovation driven competitiveness and growth of rural SMEs		
Activity 1.2: Identifying successful new business models for rural economy SMEs		
Collection of good practices on emerging business models for rural economy SMEs		
“THESGALA” Dairy Cooperative		
A. FACTS & FIGURES		
LOCATION	Country:	Greece
	Region:	Region of Thessaly
	City/Town: <i>(if applicable)</i>	Larisa
ACTIVITIES / MAIN FOCUS	Category of rural-specific activities:	<input type="checkbox"/> Accommodation <input type="checkbox"/> Agriculture <input type="checkbox"/> Animal husbandry <input type="checkbox"/> Aquaculture / Fishing <input type="checkbox"/> Energy and Resources <input type="checkbox"/> Food and beverage service activities <input type="checkbox"/> Forestry <input type="checkbox"/> Manufacture of beverages <input checked="" type="checkbox"/> Manufacture of food products <input type="checkbox"/> Manufacture of tobacco products <input type="checkbox"/> Tourism oriented transportation <input type="checkbox"/> Other (please specify)
	Products/Services offered:	Dairy products (milk, yogurt, cheese)
	Actor(s) involved:	100 dairy farmers/producers
	DURATION	Start Year:

B. CASE DESCRIPTION	
Type of innovation	<input checked="" type="checkbox"/> Introduction of a new business model <input type="checkbox"/> Adoption of innovation within some dimension of the existing business model
Please indicate the type of business model as part of the overall business strategy: <i>(select all that apply)</i>	<input checked="" type="checkbox"/> Producer organisation / Cooperatives (A jointly owned enterprise (e.g. agricultural cooperative) engaging in the production/ distribution of goods or the supplying of services, operated by its members (e.g. farmers) to meet common economic, financial and societal needs, strengthening their position in the market) <input type="checkbox"/> Horizontal supply chain collaboration (Companies of the same industry/sector and in the same stage of production work together to support innovation and improve their competitiveness) <input type="checkbox"/> Vertical supply chain collaboration (Two or more independent companies across the supply chain work jointly to plan and execute supply chain operations with greater success than acting in isolation) <input type="checkbox"/> R&D co-operations (Collaboration with technology partners (e.g. universities, R&D institutes, technology parks, clusters, etc.) to enable specialisation) <input type="checkbox"/> Internal R&D (Operation of an internal R&D department to enable the development of own portfolio of technologies or/and products) <input type="checkbox"/> Stable trading relationships (Durable and stable trading relationships with large companies and market leaders) <input type="checkbox"/> Product diversification (Restructuring or diversification of production and commercialisation to enter new markets) <input type="checkbox"/> Market development (Development of new market segments for current products) <input type="checkbox"/> Market penetration (Increasing the market share of an existing product, through strategies such as bundling, advertising or lower prices) <input type="checkbox"/> Public Private Partnerships (Public-Private Partnerships to strengthen SME's capacity, competitiveness & development (e.g. through accessing financing)) <input type="checkbox"/> Joint ventures (Formation of a new company, where parent companies have

	<p>ownership and contribute complementary assets, technologies and human resources)</p> <p><input type="checkbox"/> Other (please specify)</p>
<p>Please define the innovative aspects of the business model (select all that apply)</p>	<p><input type="checkbox"/> Profit Model innovation: Introduction of innovative pricing strategies and models (e.g. bundled or flexible pricing, financing, advertising revenue, membership, metered or subscription models)</p> <p><input type="checkbox"/> Network innovation: Participation in collaborative arrangements with other organisations and companies to foster rapid growth and increase business competitiveness (e.g. horizontal or vertical supply-chain integration, joint-ventures, cooperatives)</p> <p><input type="checkbox"/> Structure innovation: Reorientation of the organisational structure and aligning talents and assets to create more value (e.g. clustering of units or departments)</p> <p><input type="checkbox"/> Process innovation: Adoption of a signature and superior method for creating value (e.g. on-demand production, flexible manufacturing, process standardization)</p> <p><input type="checkbox"/> Product Performance innovation: Design of products/services that work better to deliver superior value to customers (e.g. superior product, ease of use, safety, customization, environmental sensitivity)</p> <p><input type="checkbox"/> Product System Innovation: Creating complementary products and services that connect or bundle together to create more value (e.g. complements, extensions/plugin-ins, modular systems, etc.)</p> <p><input type="checkbox"/> Service Innovation Adding value in how you support customers find, buy, pay, enjoy and dispose of your product (e.g. try before you buy, loyalty programs, personalized service, lease or loan))</p> <p><input type="checkbox"/> Channel Innovation: Introduction of innovative ways to deliver your offerings to customers and users (e.g. diversification, flagship store, pop-up presence, on-demand, context specific)</p> <p><input type="checkbox"/> Brand Innovation: Presenting your offerings and business in a distinctive, memorable, and likeable way (e.g. co-branding, private label, certification,</p>

	<p>brand leverage)</p> <ul style="list-style-type: none"> <input type="checkbox"/> Customer Engagement Innovation: Innovation in how you foster compelling interactions (e.g. personalization, experience simplification, process automation, mastery)
<p>Please briefly describe the business model adopted</p>	<p>The Cooperative “THESGALA” is composed of about 100 dairy farmers-members and has 55 cows’ milk production units. The total milk production amounts to 130 tons per day; a quantity that represents 10% of the domestic production. The Cooperative “THESGALA” has managed to develop a wide network of collaborations with some of the largest companies in the dairy industry. As a result of collaborations is the favourable quality of milk and ensuring quality feed. The Cooperative nowadays has 44 stores with vending machines in the city of Larissa, Thessaloniki and Athens.</p> <p>The disruptive innovation in this business model is the delivery of dairy products to customers through automatic milk vending machines; which happens for the first time in Greece. The cooperation offers fresh, pasteurized and most of all safe milk of good quality, which is collected by farms owned by the members of the Cooperative. This milk is pasteurized at modern and certified facilities and it reaches directly the tanks of the automatic vending machines. It is a closed system that does not allow the milk to have any contact with the outside environment, which means that it retains as many of its nutrients as possible. The milk arrives to the vending machines in the first 24 hours after being pasteurized and then has five days of vending life. The consumer chooses the desired quantity, 1 or ½ litre, and packaging, glass reusable or single-use plastic bottles. The consumer is able to use his own bottle by taking the responsibility for respecting all hygiene conditions.</p>
<p>C. RESULTS & PROSPECTS</p>	
<p>What were the main benefits created by the implementation of business model innovation at</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Higher productivity <input checked="" type="checkbox"/> Cost reduction <input type="checkbox"/> Better service quality <input checked="" type="checkbox"/> Secure / strengthen market position <input checked="" type="checkbox"/> Access to new markets / Internationalisation

<p>operational level? (select all that apply)</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Greater customer base <input type="checkbox"/> Increased process automation and operational efficiency <input type="checkbox"/> Increased bargaining power <input type="checkbox"/> Other (please specify) <p><i>Please briefly discuss about the degree of impact on the selected categories of benefits</i></p> <p>Higher productivity: The total milk production amounts to 120 tons per day, accounting for 10% of the national domestic production.</p> <p>Cost reduction: The prices are very competitive as the milk is being sold at 1.10€ per litre and 0.60€ per half a litre. In general, the prices are lower than the average per litre of milk sold in super markets in Greece (1.50€), which entails a significant cost reduction across the supply chain.</p> <p>Access to new markets: The first milk vending machine was placed in Larissa in 2013. In a short time, the cooperative “THESGALA” has expanded, counting 18 vending machines in Thessaloniki and 10 milk vending machines in Athens.</p> <p>Secure/strengthen market position: The cooperative “THESGALA” is the larger milk producer in Greece, accounting for 10% of the national domestic production.</p> <p>Greater customer base: With more than 40 milk vending machines in Larisa, Thessaloniki and Athens, the customer base of the cooperative “THESGALA” has been increased significantly, having the potential to reach more than 4 million consumers.</p>
<p>What were the main benefits created by the implementation of business model innovation at regional level? (select all that apply)</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Contribution to the regional GDP <input checked="" type="checkbox"/> Increase in job opportunities (employment) <input type="checkbox"/> Enhanced regional research and innovation capacity <input type="checkbox"/> Reduce in greenhouse gas emissions <input type="checkbox"/> Improved resource efficiency <input type="checkbox"/> Other (please specify) <p><i>Please briefly discuss about the degree of impact on the selected categories of benefits</i></p> <p>Increase in job opportunities: The cooperative “THESGALA” consists of a</p>

	<p>dynamic group of scientists that include veterinarians, agronomists, economists, lawyers, accountants, management and communication experts, who actively support milk producers and farmers to meet the high operational requirements of the market. The cooperative currently employs more than 80 persons, while this number is expected to increase, taking into account the annual growth rate of the cooperation (approximately 15%).</p>
<p>How would you describe the business model adopted?</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Very successful <input type="checkbox"/> Quite successful <input type="checkbox"/> Somewhat successful <input type="checkbox"/> A little successful <input type="checkbox"/> Not at all successful <input type="checkbox"/> Do not know / Do not wish to answer
<p>What are the most significant features of the business model that make it transferable?</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Use of standardised technology solutions and processes <input checked="" type="checkbox"/> Problems addressed are common among many rural economy SMEs organisations and different regions/countries. <input checked="" type="checkbox"/> Demonstrated achieved benefits outweigh investment costs by far <input checked="" type="checkbox"/> Low implementation risks <input type="checkbox"/> Small change in daily operations, low risk of organizational resistance <input type="checkbox"/> Other (please specify)
<p>Has the business model been recognised by an external body / authority as successful (e.g. national business model competition)</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Do not Know <p>If yes, please indicate the external body/authority: Athens Chamber of Tradesmen</p>
<p>Further information (URL, sources)</p>	<p>http://www.thesgala.gr/ http://workineu.eu/workfiles/outcomes/best-practices/best-practice-gr.pdf http://popupcity.net/cooperative-milk-vending-machines-pop-up-in-greece/</p>

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