Stream 1: Current Challenges in the Business World

Disruptive Entrepreneurship
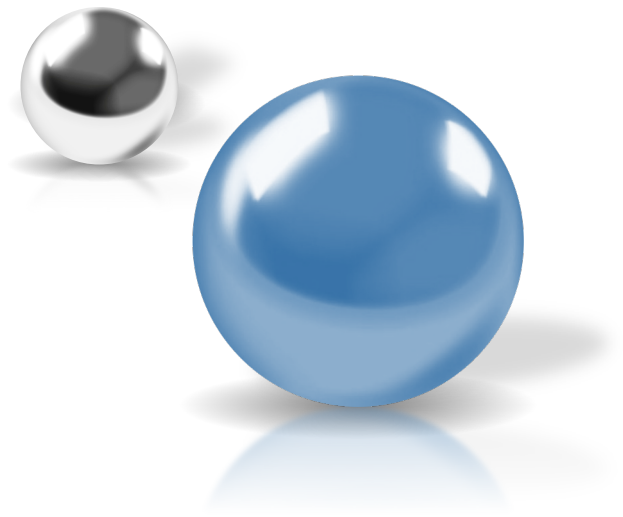
Dana Mietzner

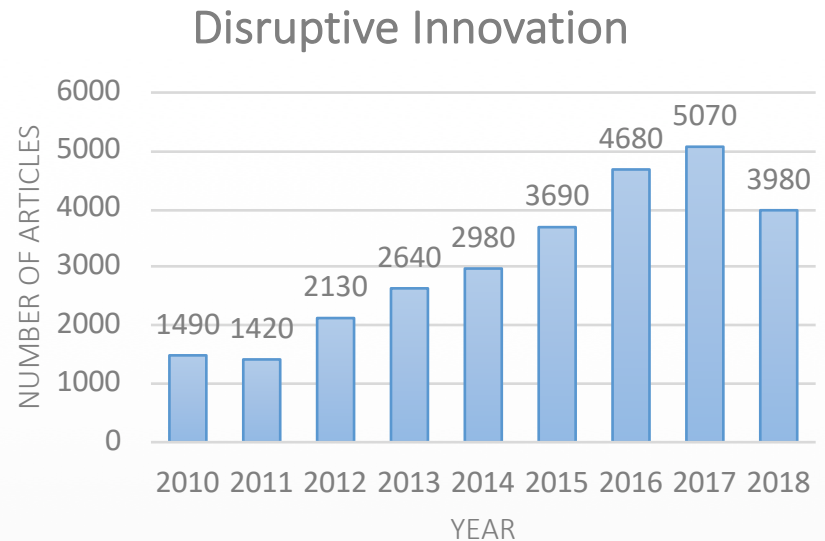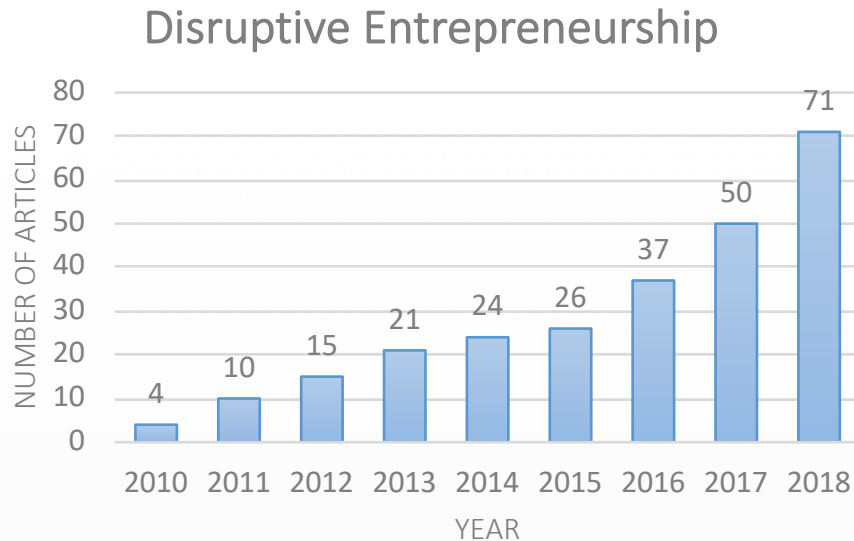Professor for Innovation Management and Regional Development

Technical University of Applied Sciences Wildau

ECMT+ teacher training event
VIVES University of Applied Sciences

Kortrijk I 22. November 2018

Disruptive Entrepreneurship | Disruptive Innovation

Disruptive Entrepreneurship

Disruptive Innovation

Disruptive entrepreneurship should **not be interpreted as destroying and replacing industries with new ones but as bringing change to the market to a greater or lesser degree**. (see Schumpeter, 1934)

Business models Angry Birds

Strategy AirBnB UBER Change

Innovation New technologies

Challenge Wikipedia

Twitter Revolutionary

Disruptive Entrepreneurship | Example | Twitter

- Twitter began its commercial life at the **2007** South by Southwest conference, following its **invention at a hackathon** the year before.

- Its developers wanted to test sending standard text messages to multiple users simultaneously, an experiment that required **almost no new technology**.

- Twitter has **destabilized the incumbent industry; the news and information ecosystem**

- Twitter is born of **low-cost experiments on fast-maturing, ubiquitous technology platforms**

- They don't need budget approval and aren't vetted before development begins (Dones, Nunes, 2013, 48)

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"The innovators who create products at 'hackathons' aren't even trying to disrupt your business. You're just the collateral damage." (Downes, Nunes, 2013, 49)

Disruptive Entrepreneurship I Example I Angry Birds

- An ad-supported version of the game Angry Birds was downloaded over **a million times in the first 24 hours;** since it was available for Android devices. (That number might have been even higher had the enthusiastic response not crashed the developer's servers.)

- Seven months later the game had been **downloaded more than 200 million times**

- Rovio Entertainment Ltd. Founded in 2003

- EUR 71.0 million revenue in the third quarter 2018 (Rovio's January - September report)

Disruptive Entrepreneurship ▮ Examples ▮ regulated markets

- **Highly regulated taxi and limousine markets** are being invaded by new car services such as **Uber**, which allows customers to order and pay with a smartphone and track dispatched rides using mobile location services

- Highly regulated **Education sector** is being more and **privatized and moving online**

- **Telemedicine in the hospital sector** with the potential to provide quality, affordable health care regardless of location.

Key Drivers of Disruptive Entrepreneurship

(1) "Truly disruptive entrepreneurship, such as the successful introduction of a **revolutionary new technology**...." (Henrekson, Sanandaji, 2010, 6)

(2) (...) startups can now begin life with **products that are better and cheaper than those of incumbents** -- and right **from the start**. That's thanks largely to exponential improvements in the **price and performance of core technologies** -- and not just in computing...(Downes, Nunes, 2013,

(3) Digital platforms (e.g., smartphones) are enabling innovations that offer customers both a much better experience and a lower price (e.g., google maps instead of GPS devices) (Dones, Nunes, 2013, 47)

(4) In the age of **social networks**, like Facebook, Twitter, or Instagram internet fads (or products) can **infect the whole world in a matter of days** (Dones, Nunes, 2013, 46)
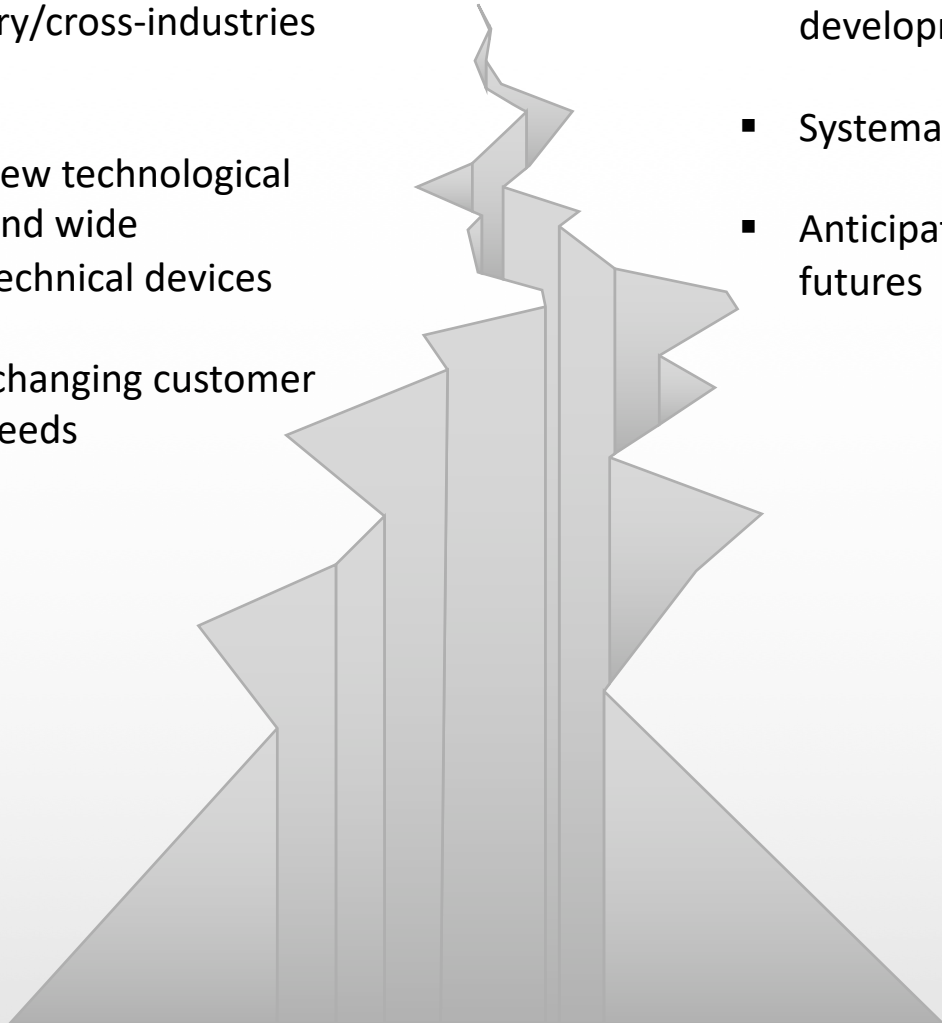
How to deal with disruption in entrepreneurship?

Point of Departure

- Recognition of the highly dynamic business/industry/cross-industries environment

- Occurrence of new technological developments and wide distribution of technical devices

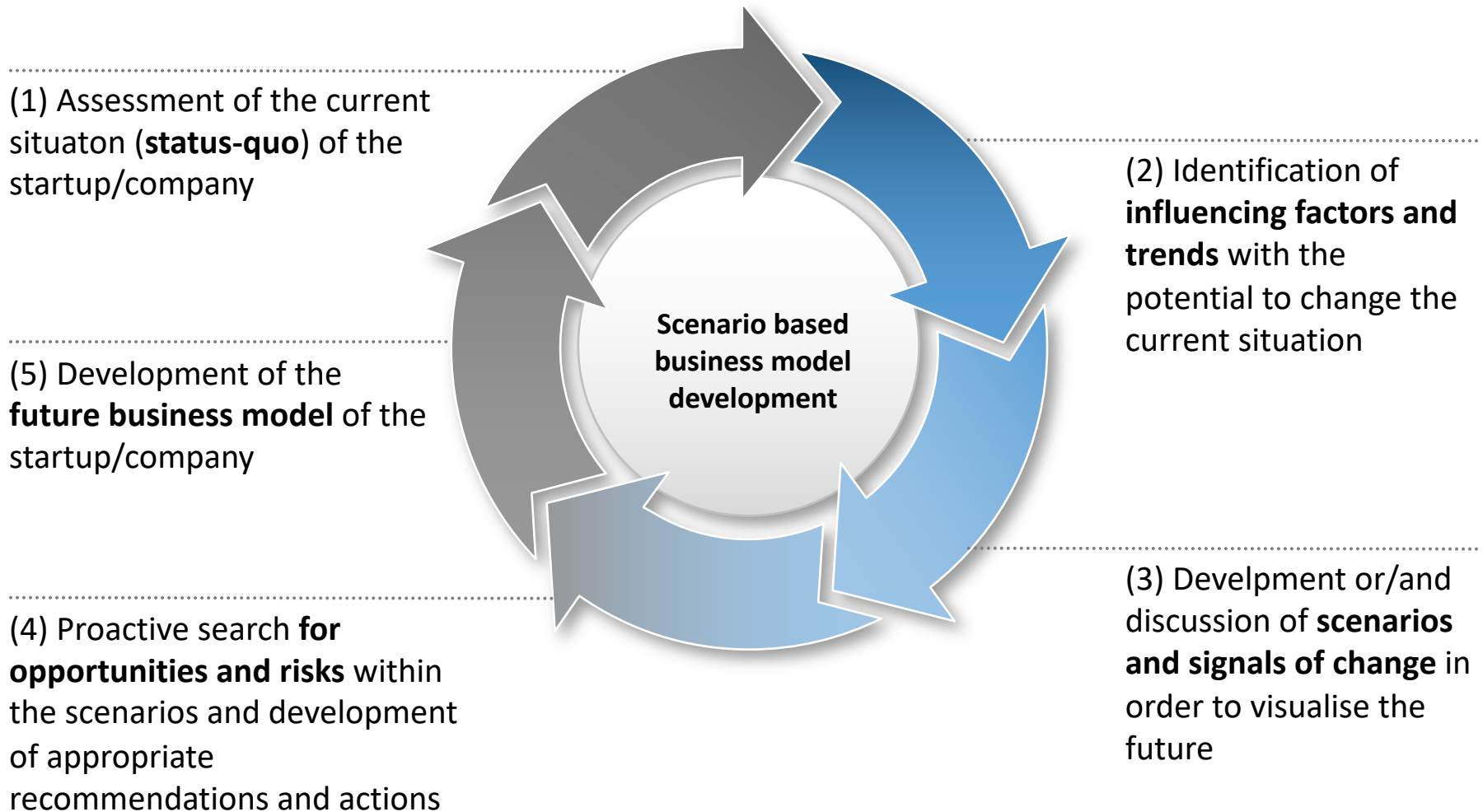- Anticipation of changing customer requirements/needs

Methodological Approach

- Scenario based business model development

- Systematic approach

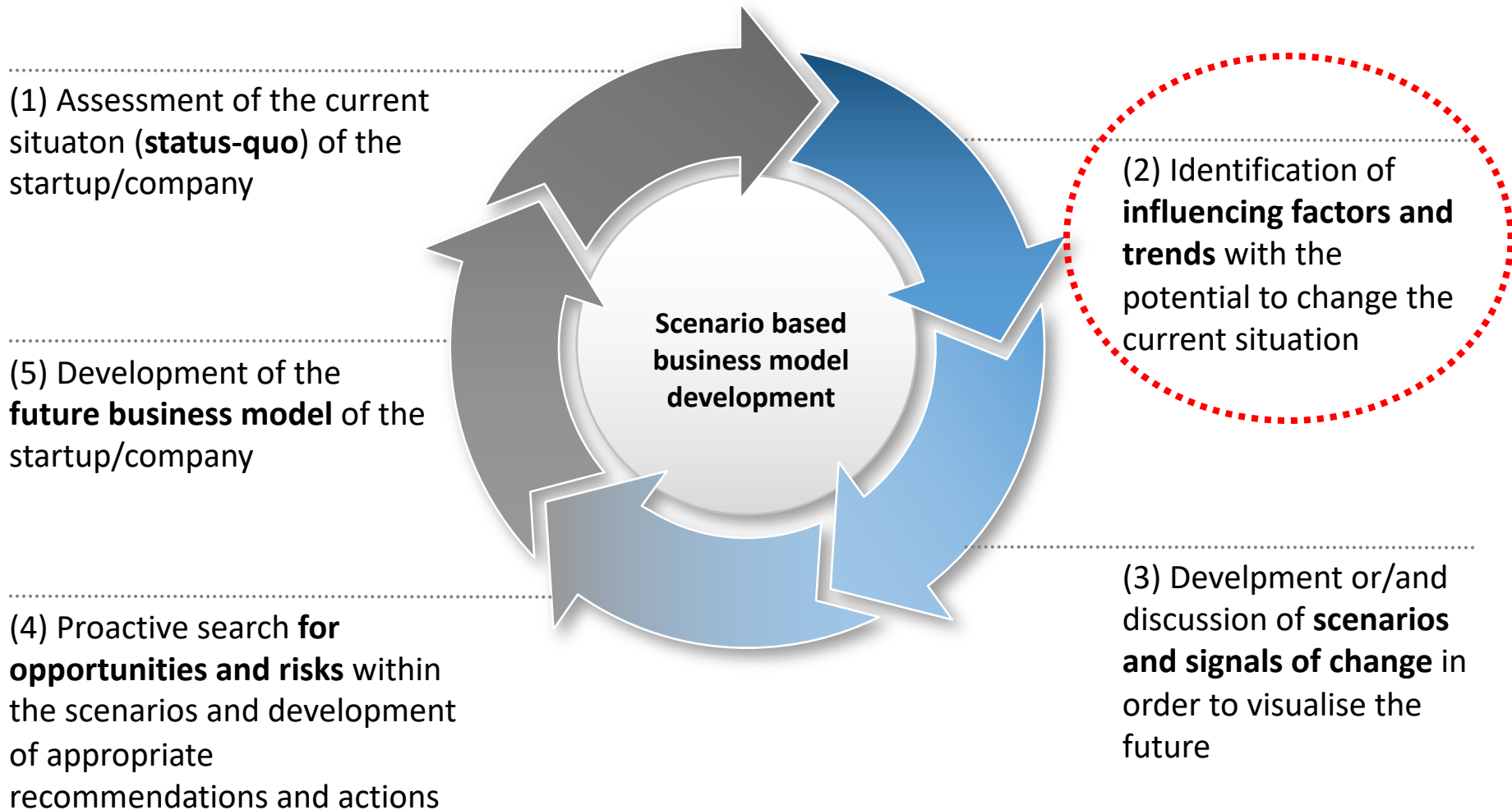- Anticipation of plausible and possible futures

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How to deal with disruption? ∎ Methodological Approach

(1) Assessment of the current situaton (**status-quo**) of the startup/company

(5) Development of the **future business model** of the startup/company

(4) Proactive search **for opportunities and risks** within the scenarios and development of appropriate recommendations and actions

Scenario based business model development

(2) Identification of **influencing factors and trends** with the potential to change the current situation

(3) Develpment or/and discussion of **scenarios and signals of change** in order to visualise the future

Assessment of the Current Situation (1)

Guiding Questions (Business Model Canvas)	Status quo?
Value Proposition: Which customer needs are we satisfying?	▪ …
Key Resources: What key resources do our value proposition require?	▪ …
Key Activities: What key activities do our value proposition require?	▪ …
Key partners? Who are our key partners? Which key resources are we requiring from partners?	▪
Customer segment: For whom are we creating value?	▪ …
Customer Relationships: What type of relationship does each od our customer segments expect us to establish and maintain with them?	▪ …
Distribution channel: Through which channels do our customer segments want to be reached?	▪ …
Cost structure: What are the most important costs inherent to the business model?	▪ …
Revenue Streams: For what value are our customers really willing to pay?	▪ …

Osterwalder, 2004, 43

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Identification of Influencing Factors (2)

Economic factors
e.g., intensity of competition, occurrence of new customers, ability of companies to cooperate

Social/cultural factors
e.g., customer's attitude forward sustainability/social well-being, demographic change, new customer's needs....

Technological Factors:
e.g., Speed of technological developments, usability, substitutes, performance of technologies, technological convergence, security....

Political/Regulatory Factors:
e.g., regulations, public funds, availability of public research programs...

Eco System

Discussion of trends (3)

*"Trends describe **movements of change** in the economy and society. They are daily incorporated in markets, life styles, cultures, politics and business."* (Hora et al., 2007, 7).

*"Mega trends are sustainable **drivers of global change** and often a starting point for strategic future analysis. Critical issues in the startup/company's environment will be further explored with scenarios."* (Z_punkt, 2014)

Artificial Intelligence

Data Era
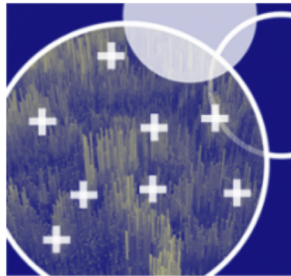
Food Culture

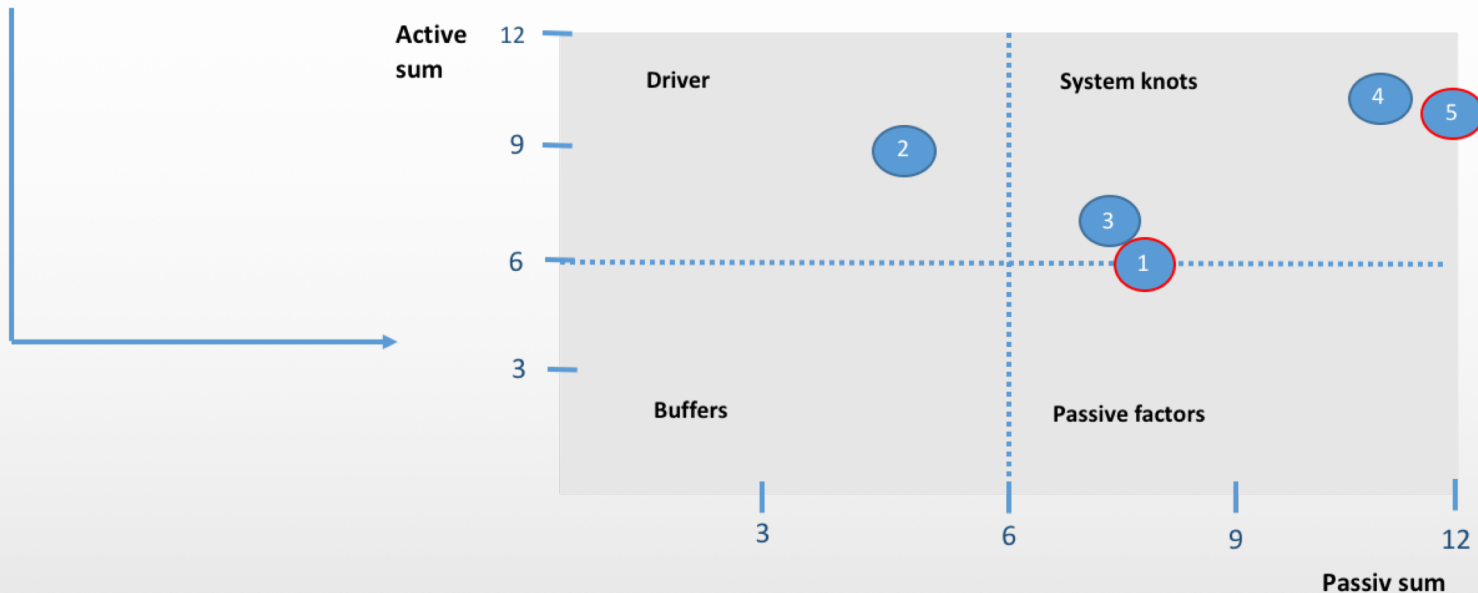Virtual Experiences

Future Work

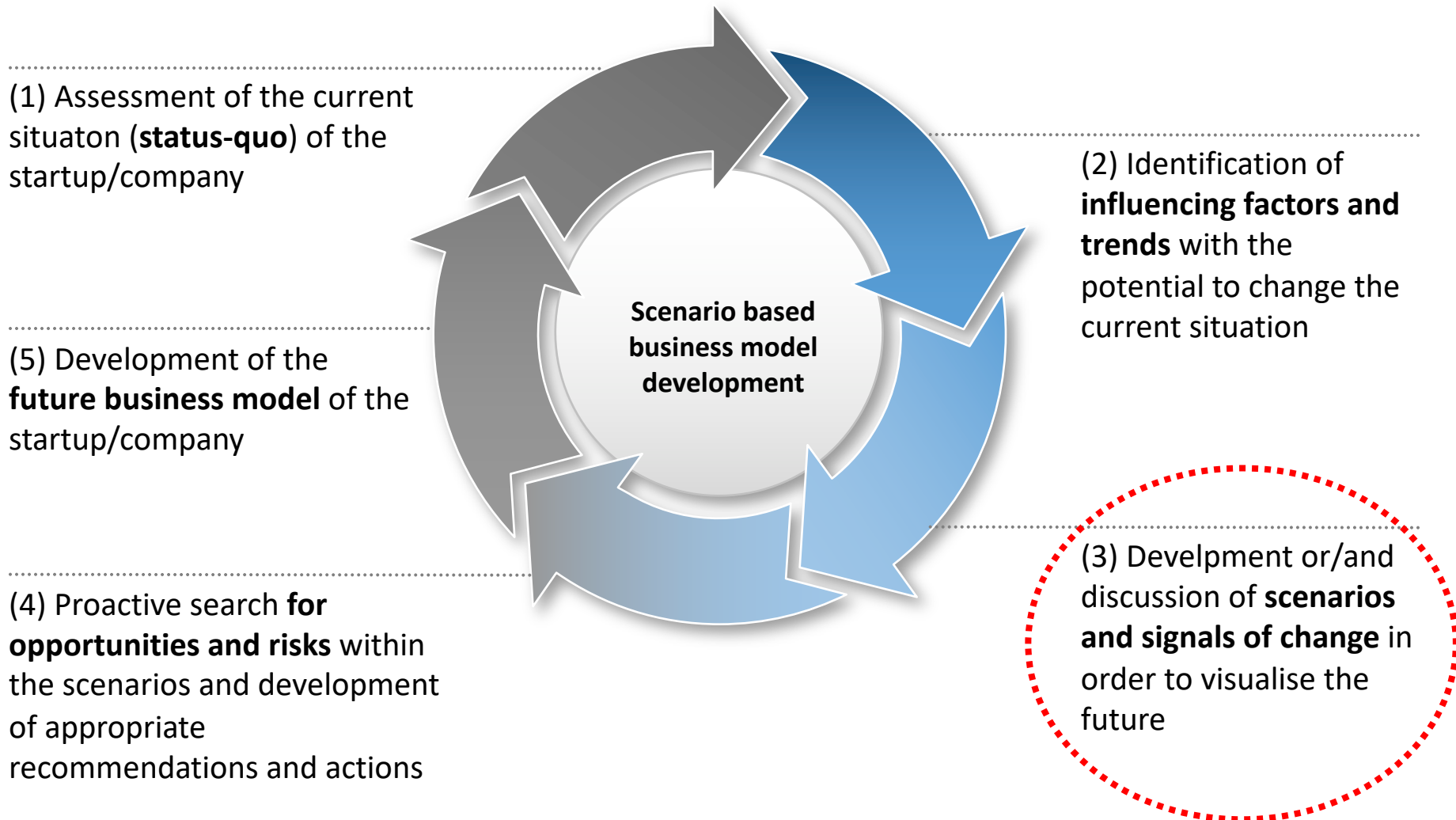Healthstyle

Individualisation

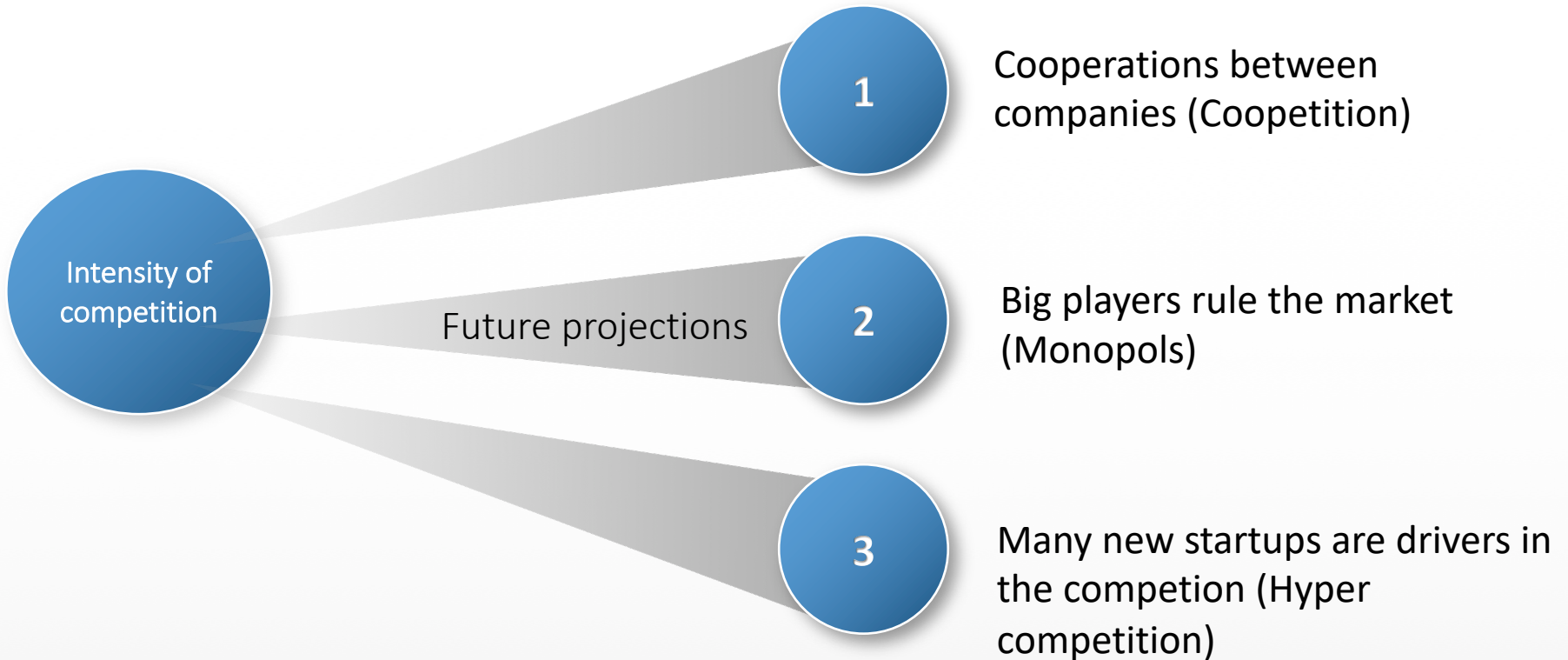Urbanisation

Identification of key factors (3)

Influence factors	1. Customer acceptance	2. Usability	3. Availability of funds	4. Speed in software development	5. Intensity of competition	Active sum
1. Customer acceptance		0	0	3	3	6
2. Usability	3		1	2	3	9
3. Availability of funds	0	1		3	3	7
4. Speed in software development	3	2	3		3	11
5. Intensity of competition	2	2	3	3		10
Passive sum	8	5	7	11	12	

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Development of Scenarios (4)

Intensity of competition

Future projections

1 — Cooperations between companies (Coopetition)

2 — Big players rule the market (Monopols)

3 — Many new startups are drivers in the competion (Hyper competition)

Development of Scenarios (4)

Sceanrios 2025

Customer Acceptance — High / low

Intensity of Competition — Coopetition / Hyper Competition

A few player dominate the market

High dynamic in a growthing market

Low Intensity of Competition

Umkämpfter Markt

Development of Scenarios (4) I Archetypes

GROWTH   ALTERNATIVE FUTURES OF: _____   CONSTRAINT

Assumptions:	What it looks like:	What it looks like:	Assumptions:
▸ ▸ ▸ ▸ ▸	▪ **Trends and conditions progress in a continuous direction**	▪ **A core guiding value or purpose organizes society and controls behavior**	▸ ▸ ▸ ▸ ▸
Assumptions:	What it looks like:	What it looks like:	Assumptions:
▸ ▸ ▸ ▸ ▸	▪ **Major social systems and infrastructure break down or fail**	▪ **Society or systems fundamentally change or reorganize**	▸ ▸ ▸ ▸ ▸

COLLAPSE   TRANSFORMATION

Development of Scenarios (4) | Signals of Change

„A signal is a small or local innovation/something new/"news" with the **potential to disrupt the status quo and/or scale in size or geography**. Signals are building blocks for imagining the future and clustering them together can inspire forecasts."
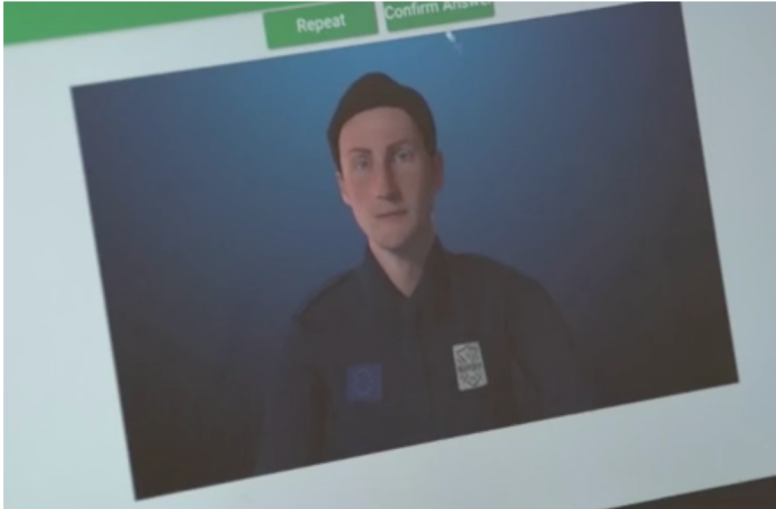
(IFTI, 2017)

Development of Scenarios (4) | Signals of Change

Signal:
SMART AVATAR HELPS BORDER CONTROL

A consortium of European companies and research institutes has developed an avatar that will help to protect borders in future. The "iBorderCtrl" project has been funded by the European Commission, which wants to automate the questioning of travelers at the borders of EU member states. The travelers communicate via a display with a virtual character that represents a border guard and uses artificial intelligence to detect micro-movements that reveal whether the traveler is telling the truth. If there are any suspicions of false information, the case can be handed on to a real border control officer.
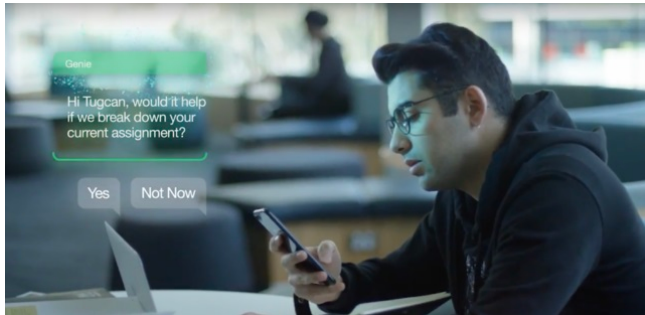
🔗 https://www.iborderctrl.eu
👤 Manchester Metropolitan University, United Kingdom

Source: trendone, 2018

Development of Scenarios (4) | Signals of Change

Signal:
CHATBOT KEEPS STUDENTS UP TO DATE

🔗 http://businessnewsroom.deakin.edu.au
👤 Deakin University, Australia

Source: trendone, 2018

Students at Deakin University in Australia will be given access to the speech-based virtual assistant "Genie", which will proactively support them in all areas. The assistant is a Watson-based smartphone app that is connected to the university's digital library and other services. It also draws data on location and for using the internal learning management system. The assistant is capable of suggesting that a user gets some exercise when they have been working too long. It can also remind them about exams when it realises that they haven't accessed the relevant learning material.

Development of Scenarios (4)

WHAT?
(Give the signal a 2–5 word title)

SO WHAT
(write a key phrase, expressing the signals importance?)

This challenges _____'s assumptions.

This could scale to affect _____ and _____.

When this becomes mainstream, _____ will never be the same.

SOURCE _____

CLUSTER 1

WHAT?
(Give the signal a 2–5 word title)

SO WHAT
When this becomes mainstream, _____ will never be the same.

CLUSTER 2

CLUSTER 3

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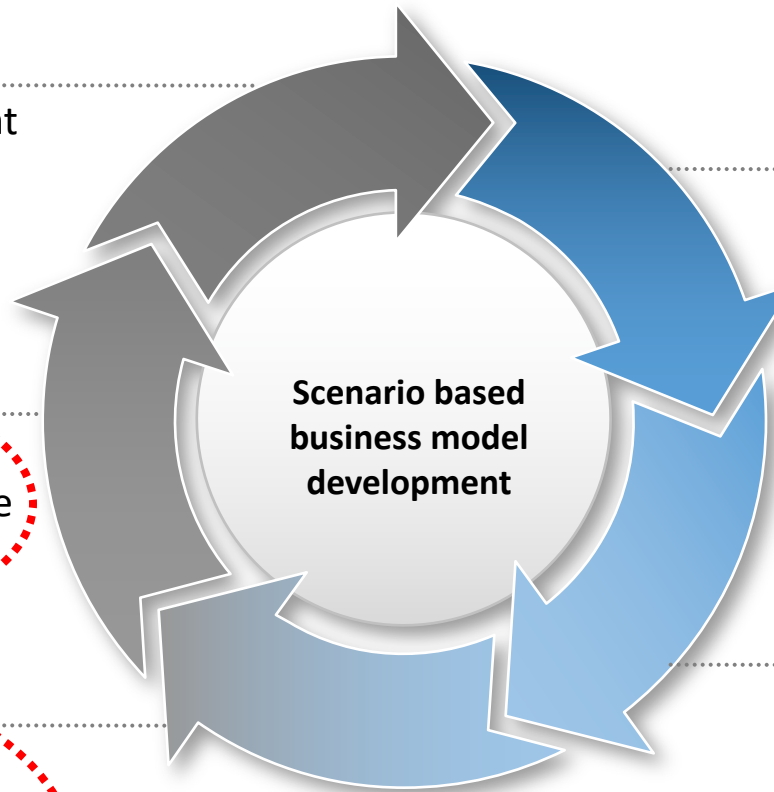
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Opportunities and Risks | Implications

Key Questions	Comments	Options	Implications
How/In which way/to what extent did customer's value change within the scenarios?	▪ …	▪ …	▪ …
What will happen if the identified threats become true?	▪ …	▪ …	▪ …
What are new needs of the customers and how can we react on that?	▪ …	▪ …	▪ …
How do we perform within the scenarios? What are weaknesses and what are our strengths in the scenarios?	▪ …	▪ …	▪ …
What are possible options, to react in a changed competitive landscape?	▪ …	▪ …	▪ …
	▪ …	▪ …	▪ …

Conclusions | Sceanrio based Business Model Development

- The implementation of **scenario based approaches** in a workshop format, studies, conferences is approved in several situations for startups, large corporations or selected industries

- **Flexibility** in terms of methodological design, according to time constrains, knowledge on the methods, selected case and aims

- Development of a comprehensive **understanding about the dynamics** in the environment of the startup/company/industry and corresponding actions

- Reduction of uncertainty

- Enhancement of the **recognition of (upcoming) disruptive change** for better decision making

- Suggestion of action plans and projects links the future to the present and should support the competitiveness in the long run
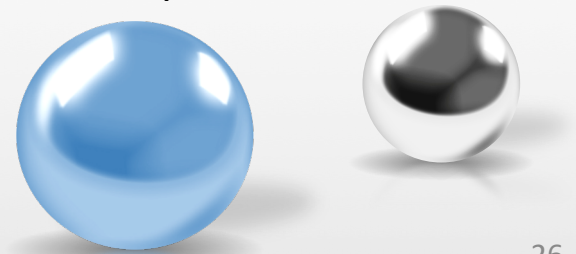
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