

Overcoming the innovator's dilemma by understanding exponential growth

How corporate entrepreneurship
can keep innovations innovative.

Prof. Dr. Nils Högsdal,

HdM Stuttgart, 19.11.2018

DIGITALIZATION AND A NEW WORLD AHEAD

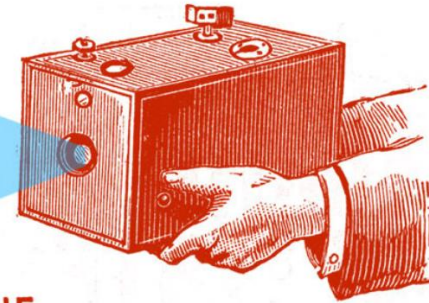
In 19 years?



https://media1.popsugar-assets.com/files/thumbor/iTJBW__guYIAV7Wv5eswXs_LHtk/fit-in/1024x1024/filters:format_auto-!!-:strip_icc-!!-/2016/03/17/886/n/1922507/7c4f02e70a276bb1_HP-7.2/i/Harry-Potter-Deathly-Hallows.gif

The Kodak-Moment

The Camera
that takes
the World!



THE
KODAK

kodal

a rare, **one**
captured by

Aww!.. They
moment!

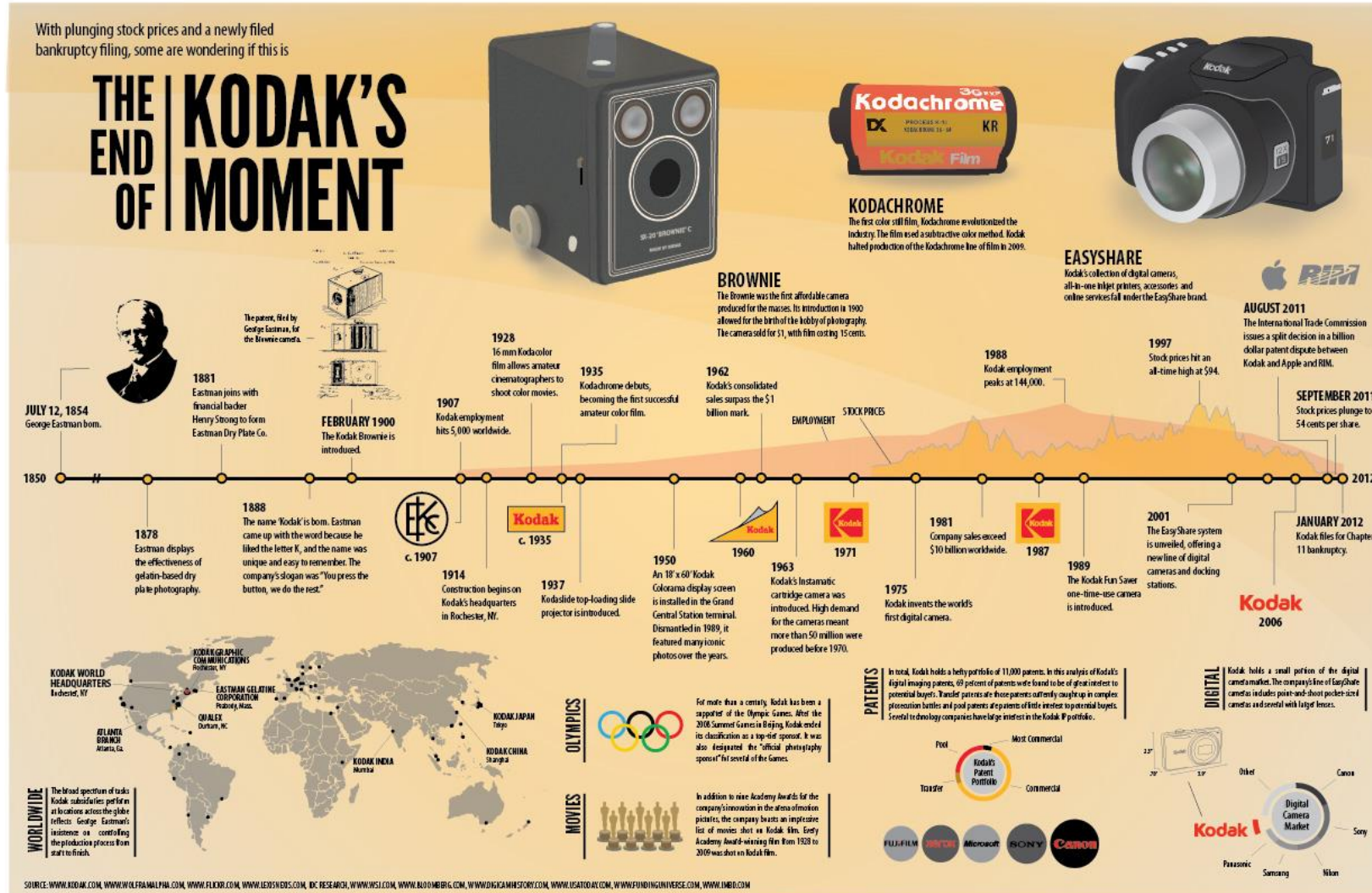
A generation ago, a “Kodak moment” meant something that was worth saving and savoring.

Today, the term increasingly serves as a corporate bogeyman that warns executives of the need to stand up and respond when disruptive developments encroach on their market.

Unfortunately, as time marches on the subtleties of what actually happened to Eastman Kodak are being forgotten, leading executives to draw the wrong conclusions from its struggles.

Quellen: <https://www.urbandictionary.com/define.php?term=kodak%20moment>,
<https://www.reuters.com/article/banks-face-kodak-moment-as-fintech-disruption-builds-idUSL8N1NJ6E8>, <https://hbr.org/2016/07/kodaks-downfall-wasnt-about-technology>,

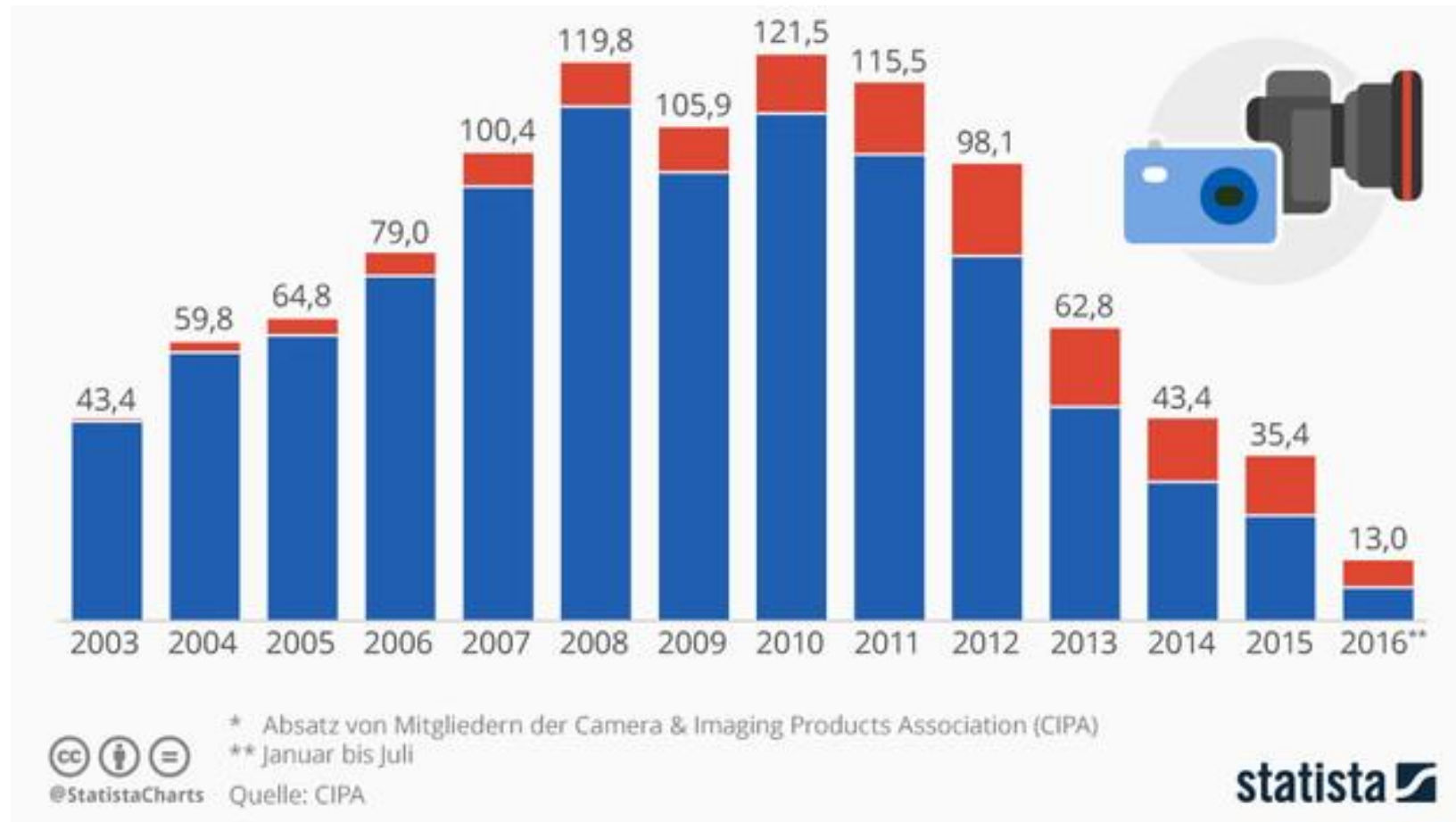
Kodak: do we know it better?



Source: https://thumbnails-visually.netdna-ssl.com/the-end-of-kodaks-moment_529bc0b74ab39.jpg
 For further reading: <https://disrupt-and-innovate.org/book/facing-disruption/missing-the-kodak-moment/>

Really?

Worldwide Sales of Digital Cameras



Quelle:
<https://pics.computerbase.de/7/4/6/6/4/1-630.740928595.jpg>

You cannot predict the future!

Stuttgart in 1940 imagined in the year 1928



What changes: Taking out the friction

The last video rental store

[Die letzte Videothek muss schließen - Regensburg - Mittelbayerische](#)

<https://www.mittelbayerische.de/.../die-letzte-videothek-muss-schlie...> [▼ Translate this page](#)

Jul 31, 2018 - Es gibt hier in Königswiesen tatsächlich noch eine **letzte Videothek**. Das „Mega Movie“ ist eine echte Rarität, aber ihr Ende ist nah. Nur noch im ...

[Die letzte Videothek im Siegerland schließt nach 30 Jahren | wp.de ...](#)

<https://www.wp.de › Städte › Siegerland> [▼ Translate this page](#)

Jun 14, 2018 - Die **Videothek** „World of Video“ am Kaisergarten, die **letzte** im Siegerland, **schließt**, nach 30 Jahren. Jetzt, wo es alles zum Schnäppchenpreis ...

[Düsseldorf: Letzte Videothek schließt | SAT.1 NRW - Die Infopage zur ...](#)

<https://www.sat1nrw.de/.../duesseldorf-letzte-videothek-schliesst-18...> [▼ Translate this page](#)

Mar 13, 2018 - Am Wochenende wird auch in Düsseldorf die **Letzte schließen**. Wir waren vor Ort und haben der **letzten Videothek** in Düsseldorf einen Besuch ...

[Letzte Videothek in Düsseldorf schließt - RP Online](#)

<https://rp-online.de › NRW › Städte › Düsseldorf> - [Translate this page](#)

Mar 12, 2018 - "Jimmy" El-Ali **schließt** seine **Videothek** in Eller, die **letzte** in ganz Düsseldorf. Dabei bewahrt er beeindruckend viel Haltung. Wer nach nur drei ...

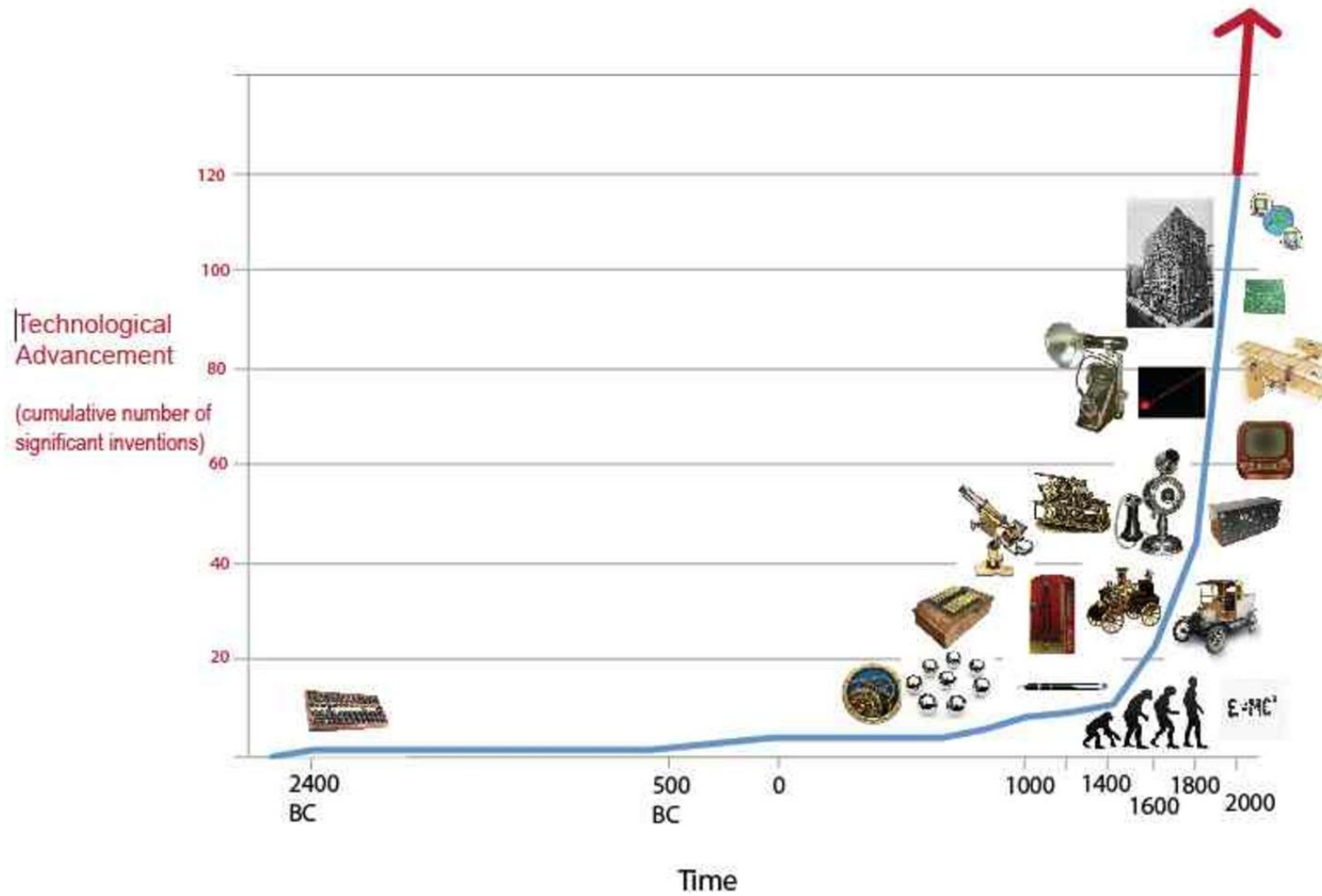
[Düsseldorf: Letzte Videothek in Düsseldorf schließt am Samstag - Focus](#)

<https://www.focus.de › Regional › Düsseldorf> - [Translate this page](#)

Mar 13, 2018 - Wenn am Samstag auf der Gumbertstraße 179 in Eller die Lichter ausgehen, dann hat die **letzte Videothek** in Düsseldorf geschlossen.

[Ende einer Ära: Am Samstag schließt die letzte Videothek in Limburg ...](#)

Exponentiell growth

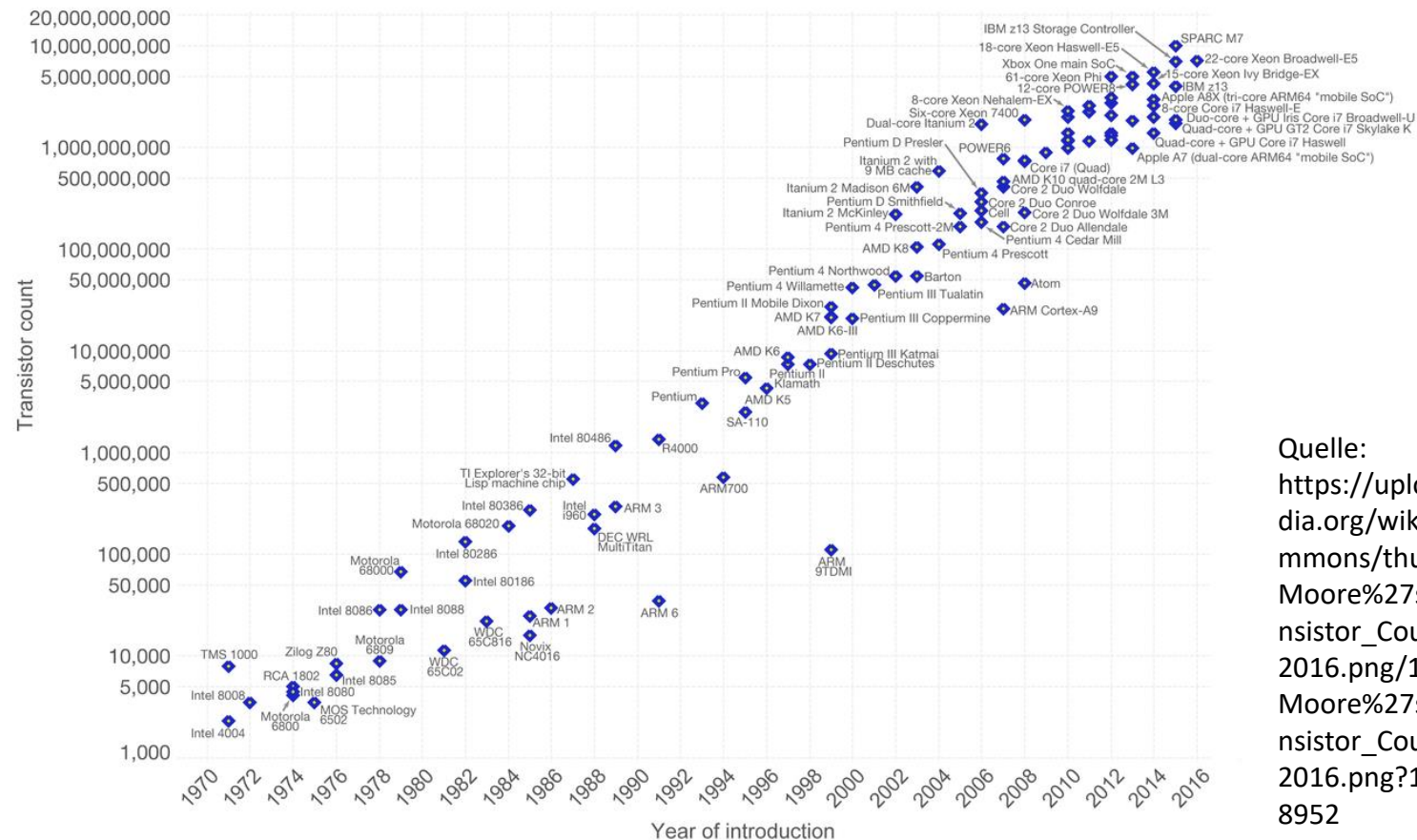


Moore's Law

Moore's Law – The number of transistors on integrated circuit chips (1971-2016)

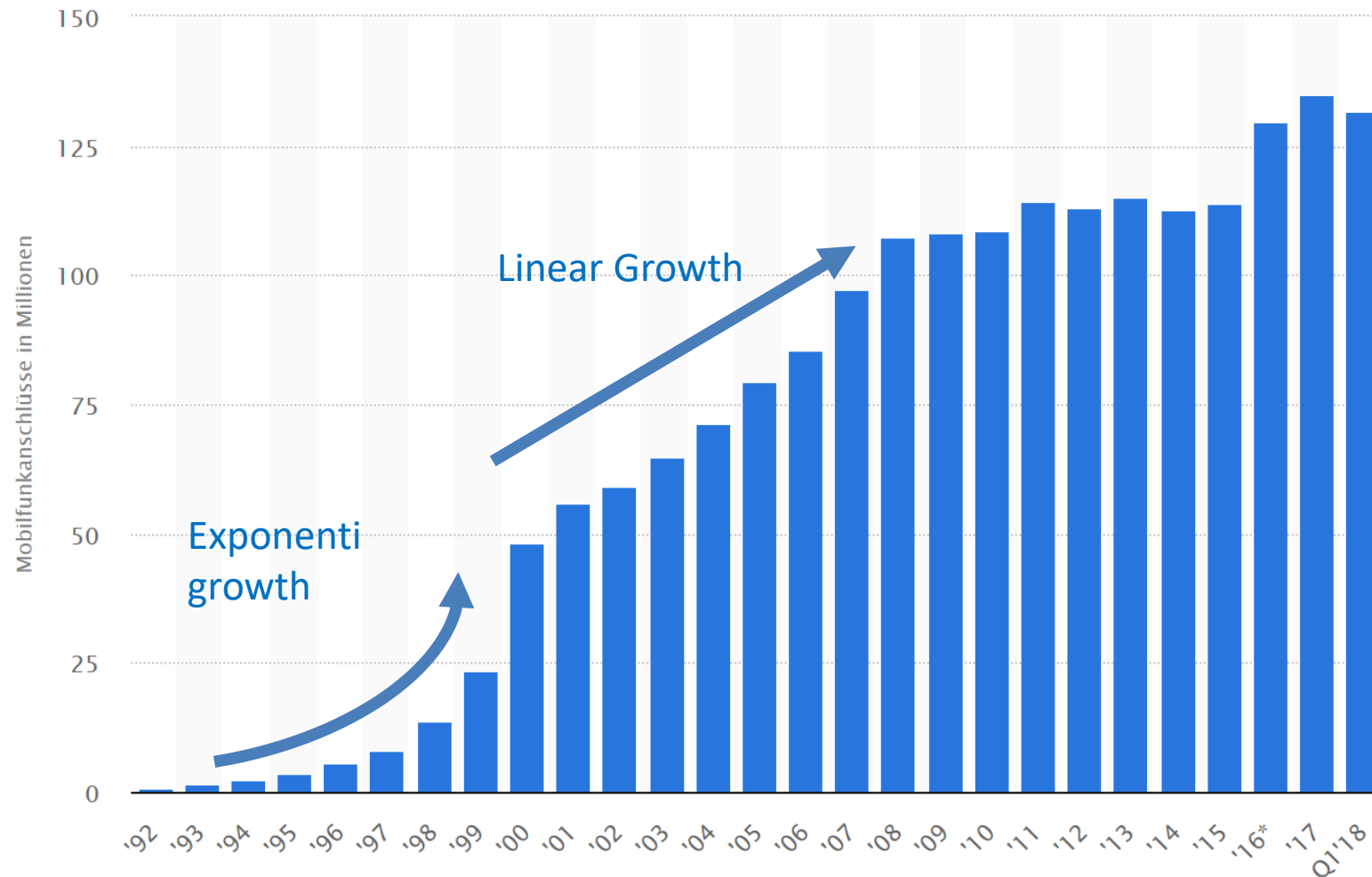
Our World
in Data

Moore's law describes the empirical regularity that the number of transistors on integrated circuits doubles approximately every two years. This advancement is important as other aspects of technological progress – such as processing speed or the price of electronic products – are strongly linked to Moore's law.



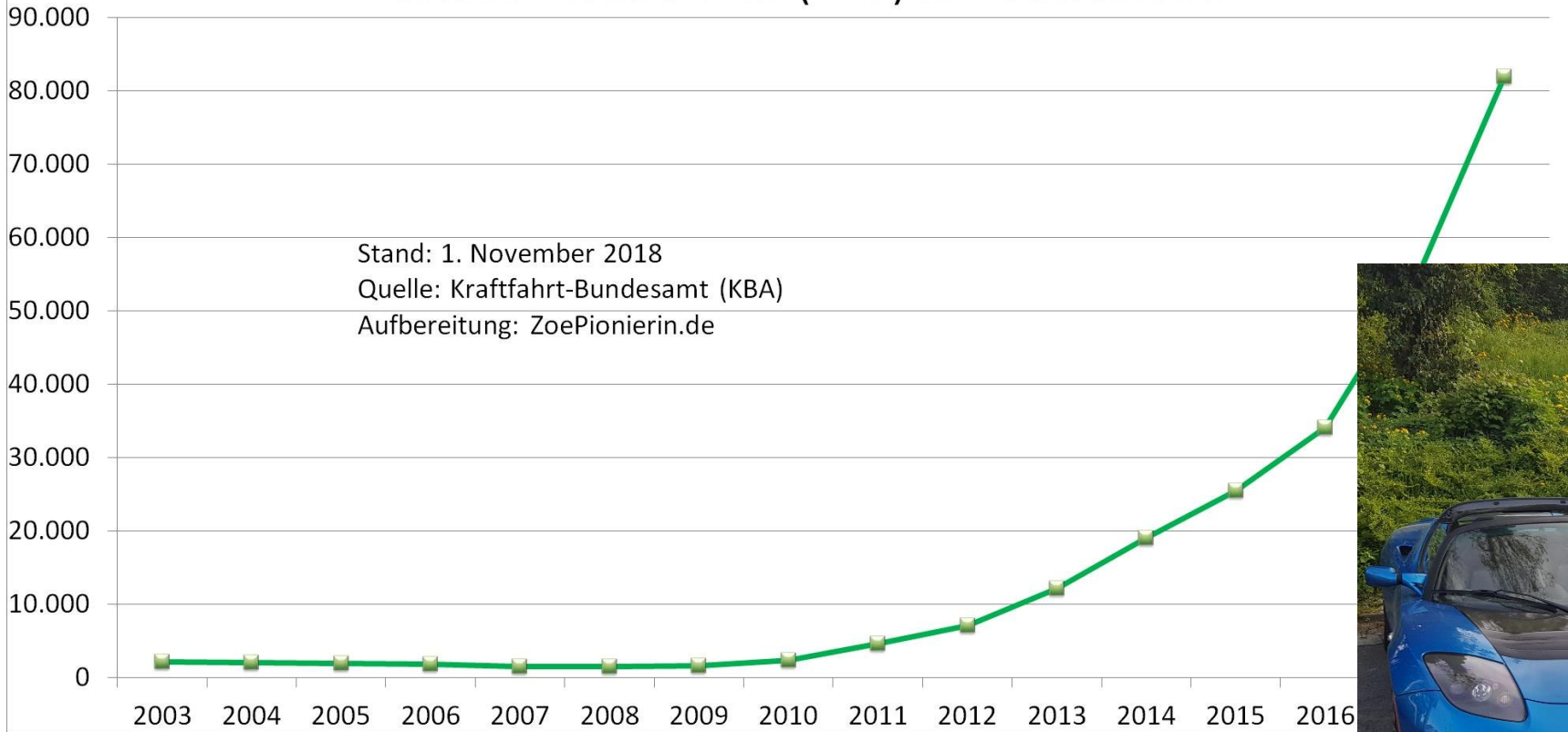
Quelle:
https://upload.wikimedia.org/wikipedia/commons/thumb/9/9d/Moore%27s_Law_Transistor_Count_1971-2016.png/1280px-Moore%27s_Law_Transistor_Count_1971-2016.png?1537815988952

Number of mobile phone subscribers in Germany



Electric cars will never make it?

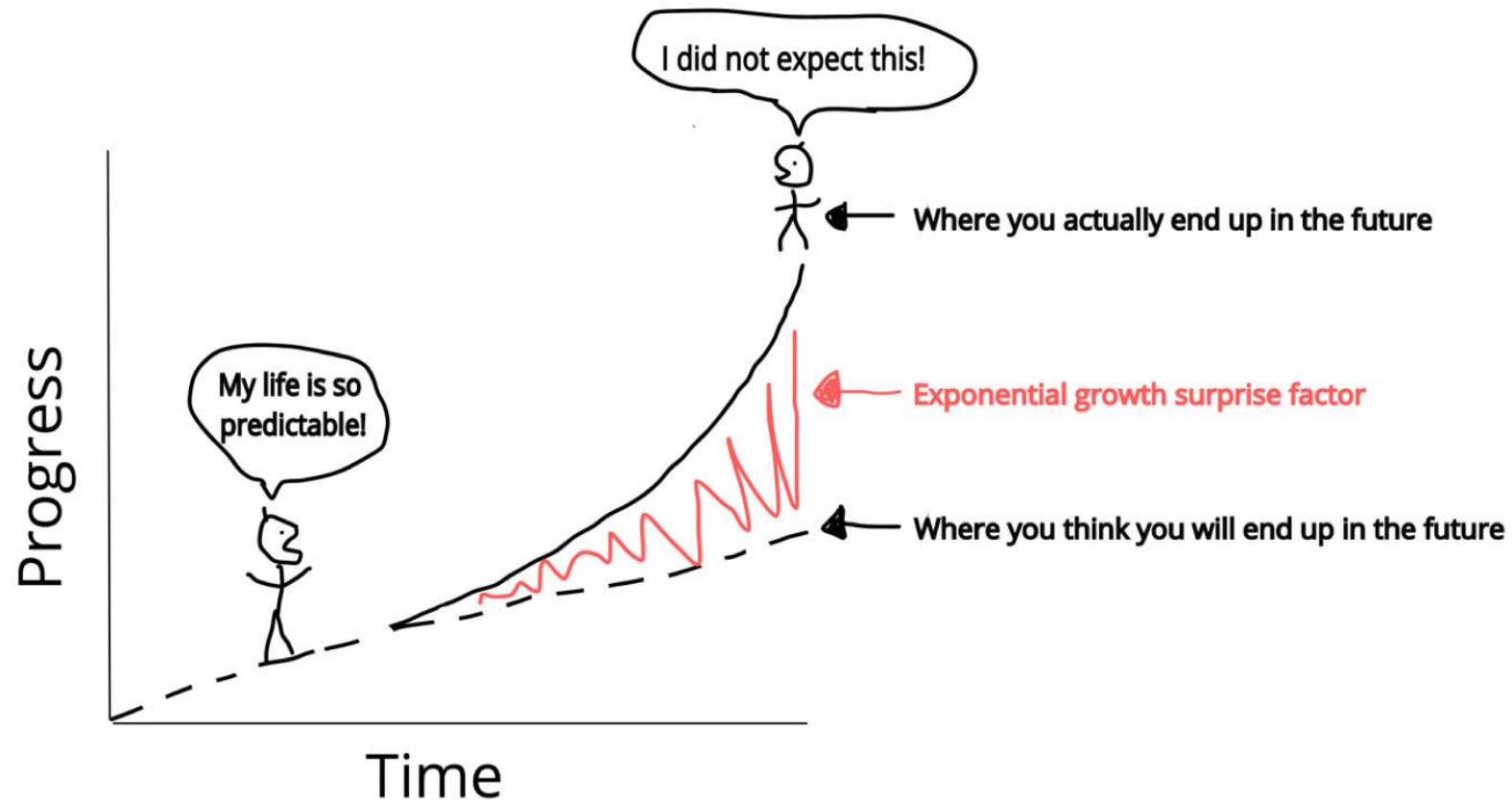
Bestand Elektro-Pkw (BEV) in Deutschland



Quelle: [https://www.facebook.com/ElectrifyBW/?__xts__\[0\]=68.ARAodYcoCpz9xXHDaBcnWoFP7d6BLdABY1nFphuWLQ0qJrAdJ34GAa9BWDYKcZDCxeBtsNLYKKu5HAoeivapcUBOXKf9KO-vBomKev8aHG1QEZsYmM60EWEgdwiXIHXCbgtKT2_ac3GnyfCU_UWZK5sKsU2Yy3eZaejWdY1Qm_t4Cy0_Cn9rG_AjgecxHwSGtooqA6cktEtTGcj8wjgyA&str=k*F](https://www.facebook.com/ElectrifyBW/?__xts__[0]=68.ARAodYcoCpz9xXHDaBcnWoFP7d6BLdABY1nFphuWLQ0qJrAdJ34GAa9BWDYKcZDCxeBtsNLYKKu5HAoeivapcUBOXKf9KO-vBomKev8aHG1QEZsYmM60EWEgdwiXIHXCbgtKT2_ac3GnyfCU_UWZK5sKsU2Yy3eZaejWdY1Qm_t4Cy0_Cn9rG_AjgecxHwSGtooqA6cktEtTGcj8wjgyA&str=k*F)



Why it is so tough to understand exponentiell growth

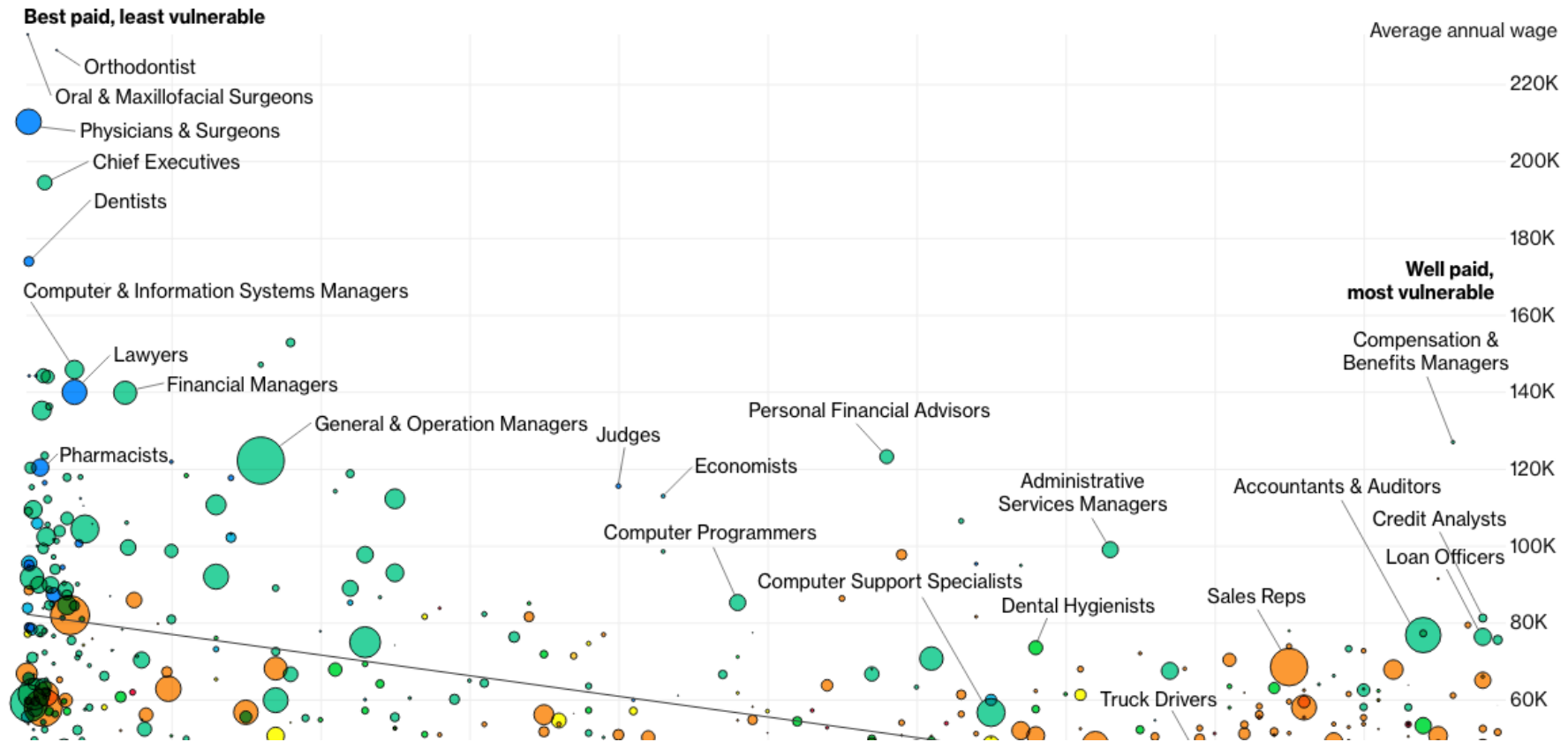


And this is just the beginning ...



What is happening to us?

Search by occupation:



Quelle: https://www.bloomberg.com/graphics/2017-job-risk/img/2017-job-risk_facebook.png

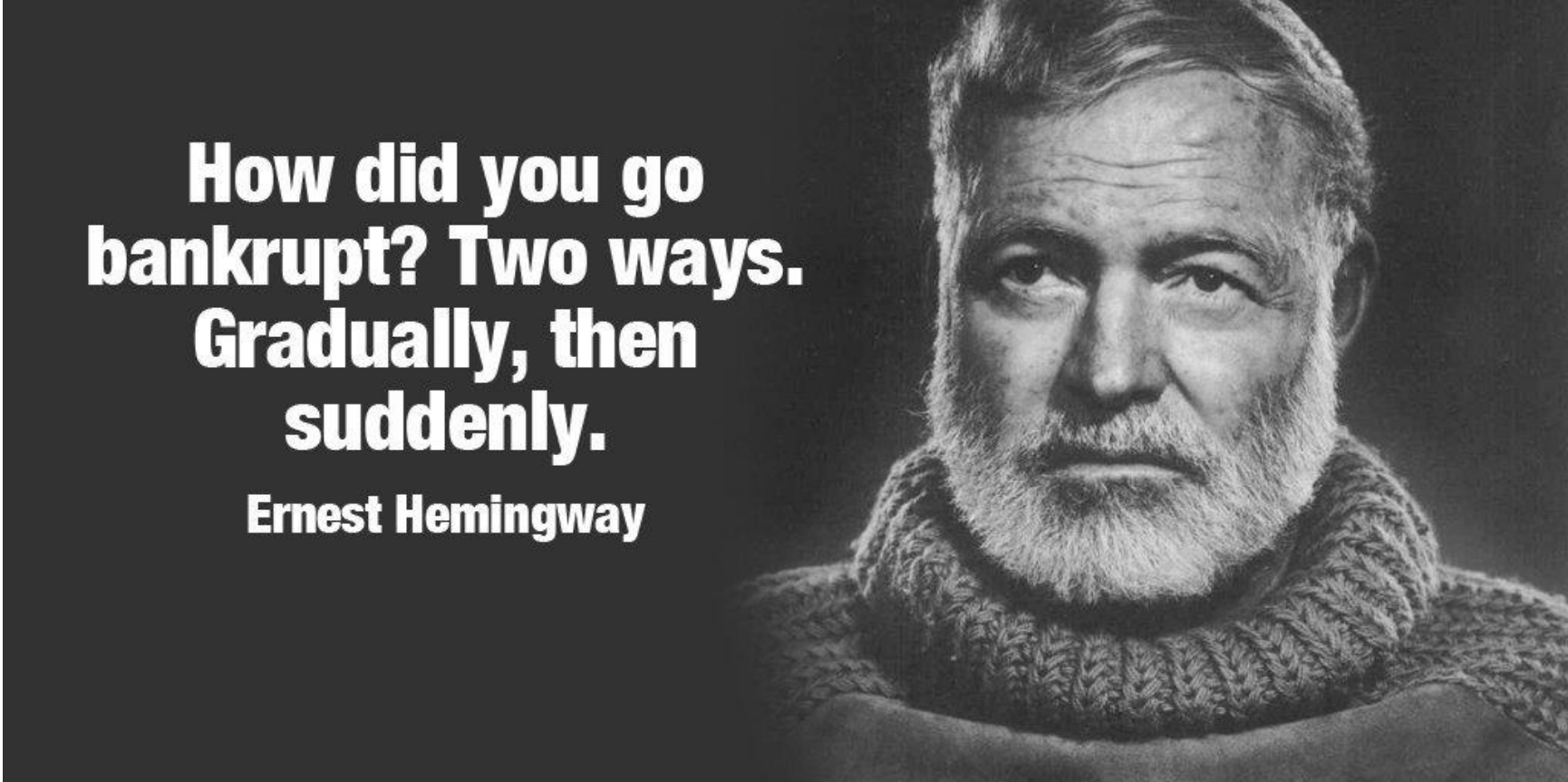
Will there be hunger games?



But, where are they, the jobless flight engineers and bank tellers?



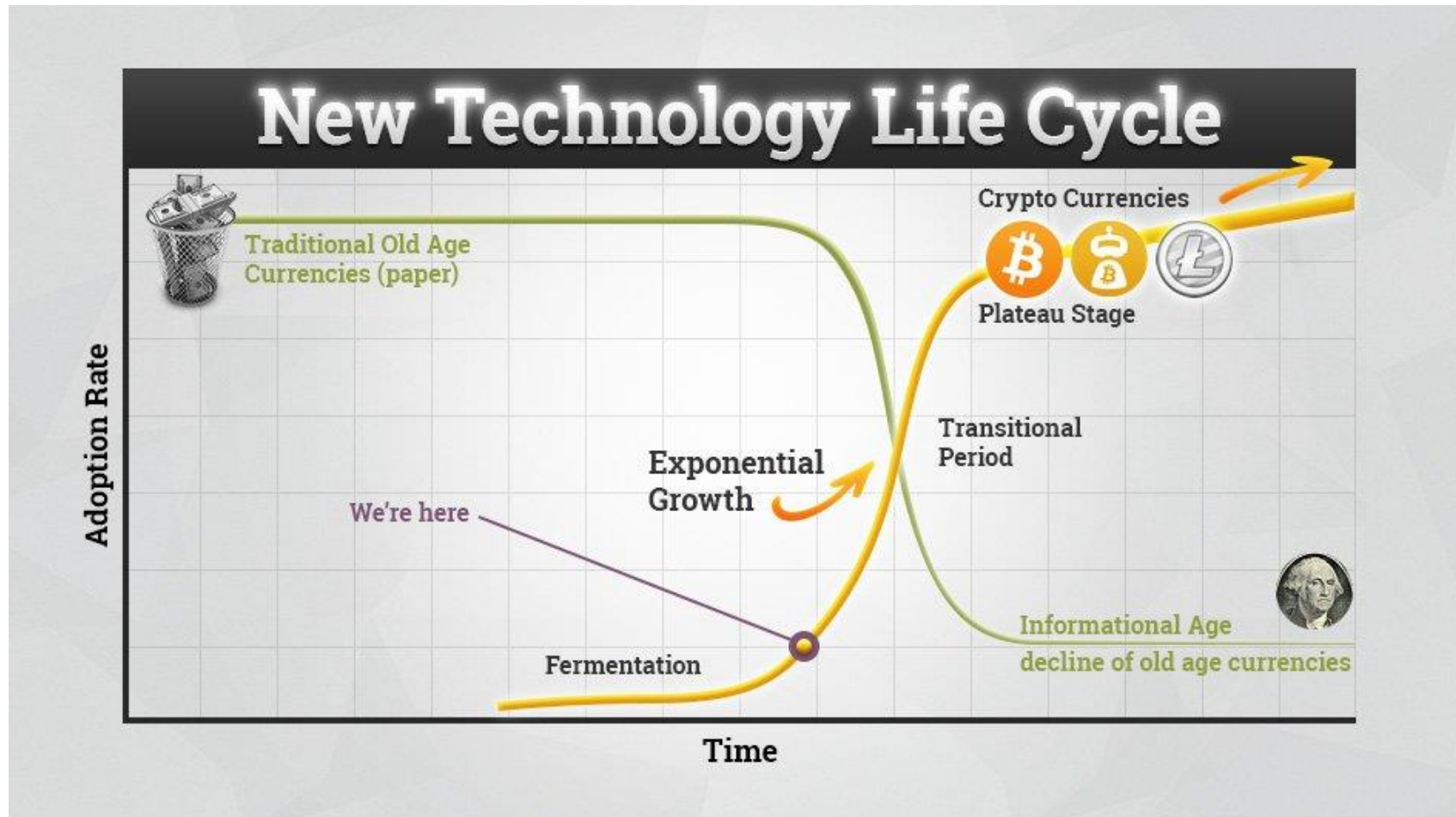
Business Models changes, first gradually, then suddenly



**How did you go
bankrupt? Two ways.
Gradually, then
suddenly.**

Ernest Hemingway

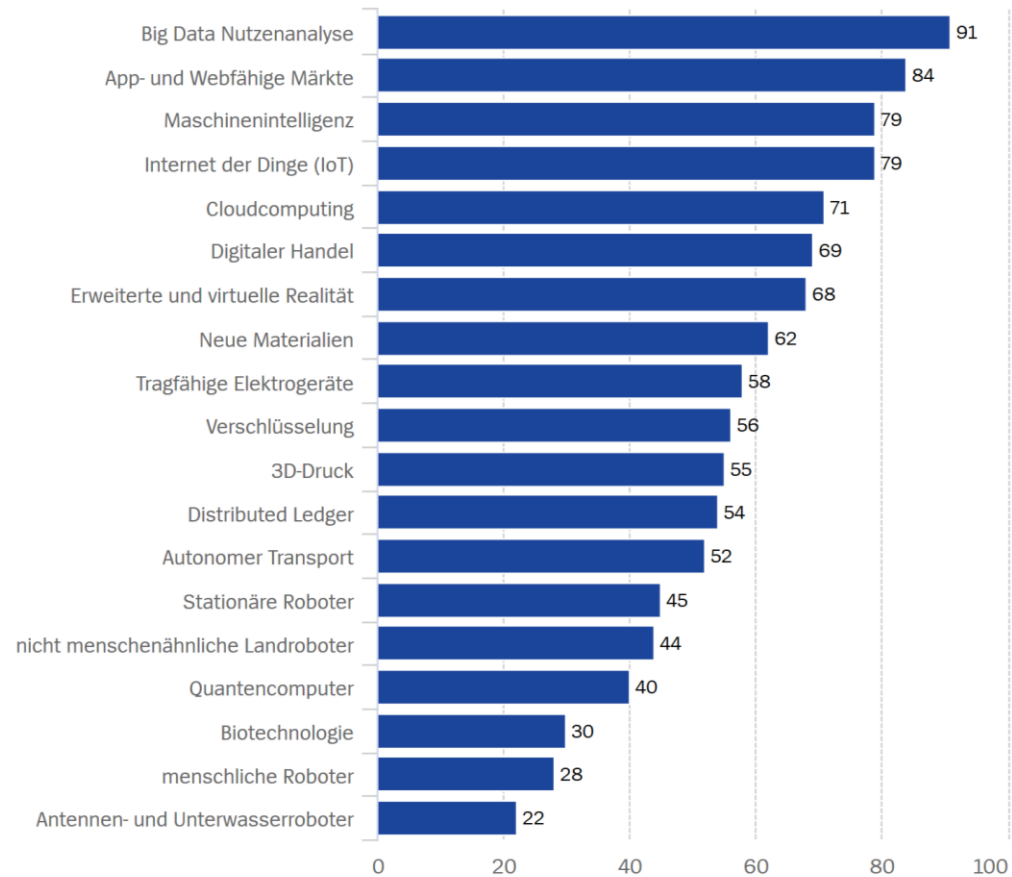
But: there should be enough time to act



Understanding drivers of digital growth

So digitalisiert wird Deutschland

Anteil deutscher Unternehmen, die technologische Anwendungen bis 2022 nutzen wollen, in Prozent



Quelle: WEF Future of Jobs

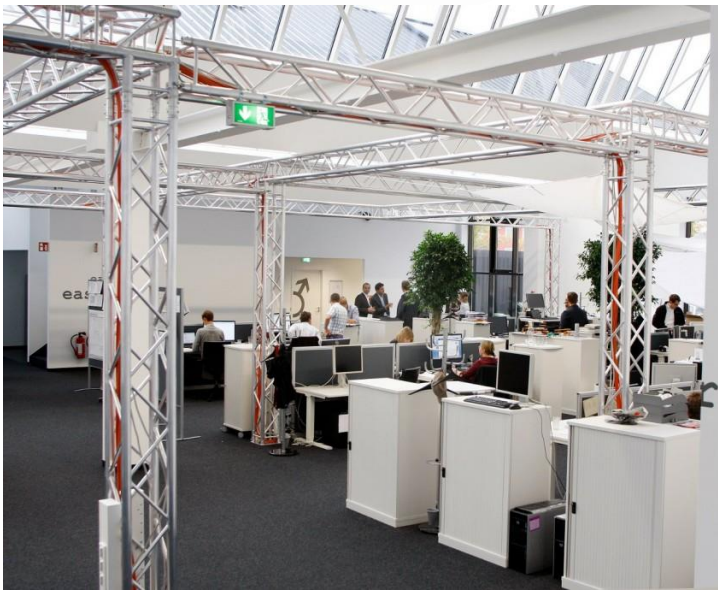
Quelle:
<http://www.spiegel.de/wirtschaft/soziales/studie-weltwirtschaftsforum-maschinen-verrichten-bald-mehr-arbeit-als-menschen-a-1228108.html>

CORPORATE ENTREPRENEURSHIP



BOSCH

Startup Inkubator



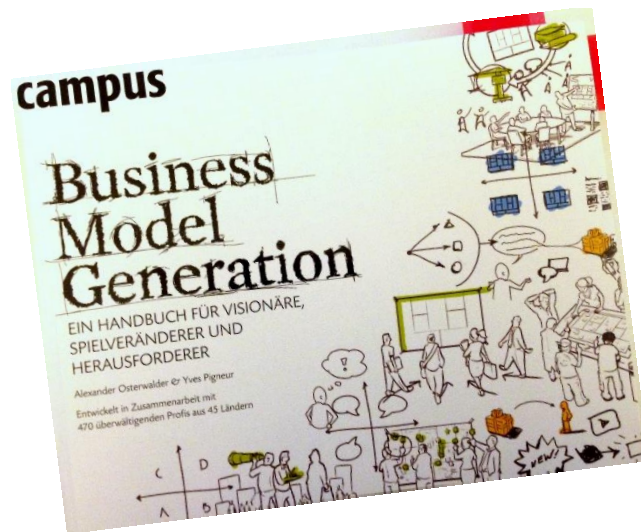
Quellen: http://startup-stuttgart.de/wordpress/wp-content/uploads/2012/10/Robert_Bosch_Startup_GmbH_Inkubator1-620x200.jpg
http://blog.bosch-si.com/wp-content/uploads/Start-up_Plattform-1024x684.jpg
<http://www.wiwo.de/images/bosch-startup-plattform/12551844/2-format5.jpg>
<https://data.motor-talk.de/data/galleries/0/425/7581/74260616/81041401-526248329769071810.jpg>



**“The stone age didn’t end
because they ran out of stones.”**

- Anonymous

Every business model has
an expiration date - like a yogurt
(Osterwalder quoted by Blank)



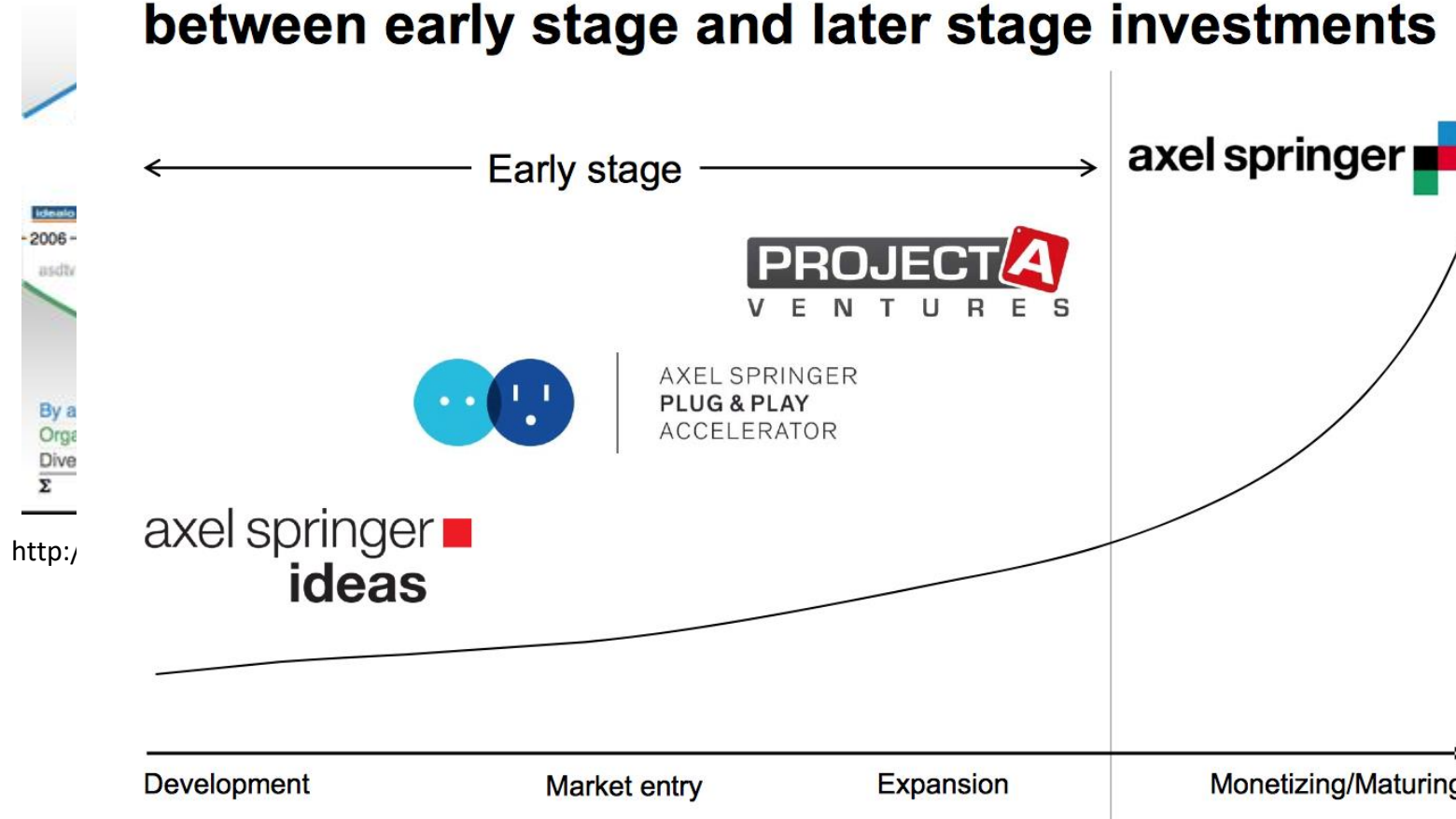
The Business Modell as the new holy grale

Incremental innovation has been and continues to be main performance engine, but business model innovation expected to play a bigger role moving forward

	In the past	Going forward	Change	
The improvement of existing products or services	83%	79%	-4pts	 The improvement of existing products or services
The development of entirely new products or services	63%	66%	+3pts	
The development of new business processes to improve profitability	61%	63%	=	
The development of more affordable new products and services	56%	56%	=	
The development or improvement of products customized to local needs	55%	53%	=	
The development of new business models	46%	52%	+6pts	The development of new business models 
The development of more sustainable processes, products or services	44%	48%	+4pts	
The development of new customer services	39%	42%	+3pts	

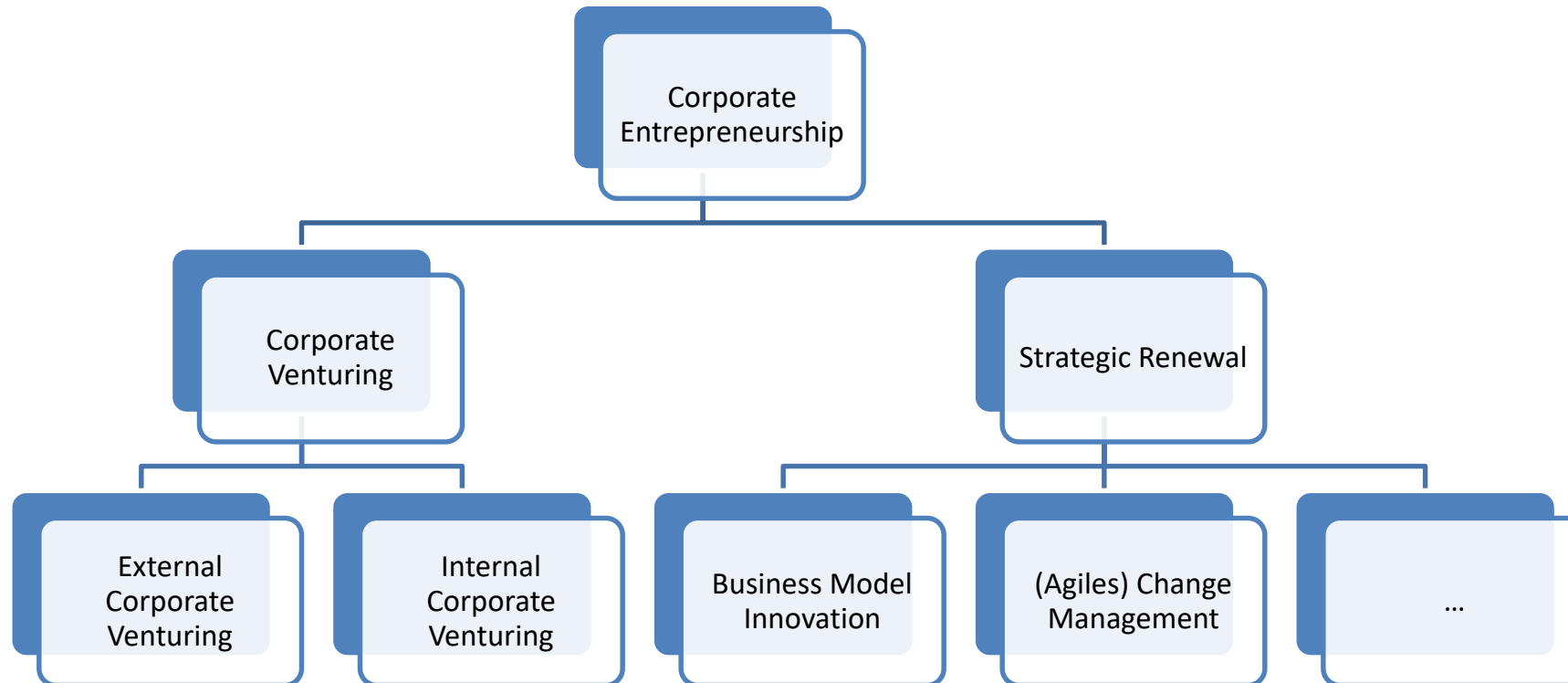
Case Study: Digital growth by Axel Springer

Participation in Project A bridges the gap between early stage and later stage investments



<http://www.idealo.com>
 -2006-
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Corporate Entrepreneurship



Challenge: future urban mobility

- Traditional view: creat a small car (which is ugly and still would be pricy)



Quelle: http://lh4.ggpht.com/_Tsf-t_mqSxc/TIpBC_SKOPI/AAAAAAAAAjeY/sQSMoU7SHTw/s800/1981%20Mercedes-Benz%20Nafa_04.jpg

30 years later: a working answer

- An internal startup called Car2Go renting our cars by the minute

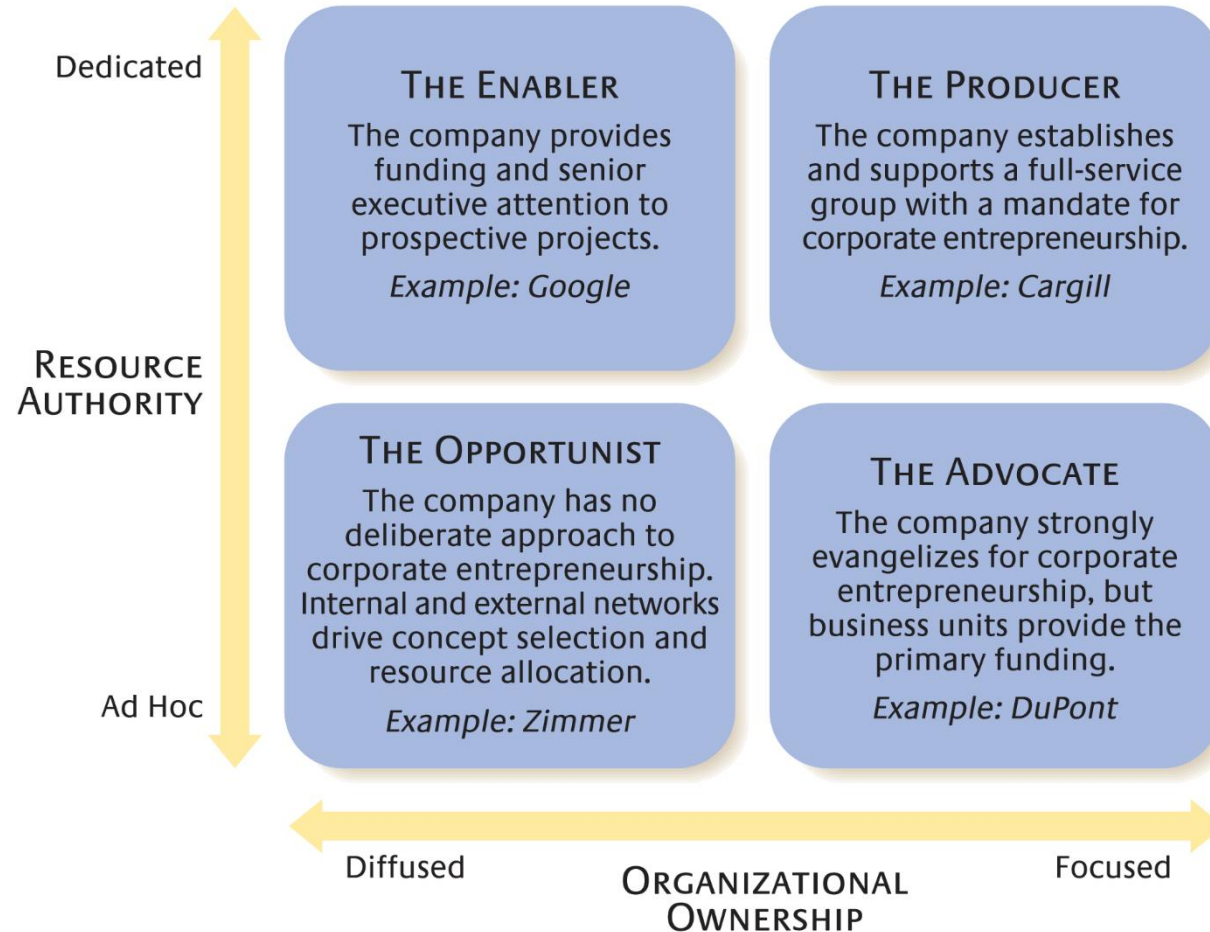


Definition: Corporate entrepreneurship

- “Corporate entrepreneurship encompasses two types of phenomena and the processes surrounding them:
 - The birth of new businesses within existing organizations, i.e. internal innovation or venturing, and
 - the transformation of organizations through renewal of the key ideas on which they are built, i.e. strategic renewal.”

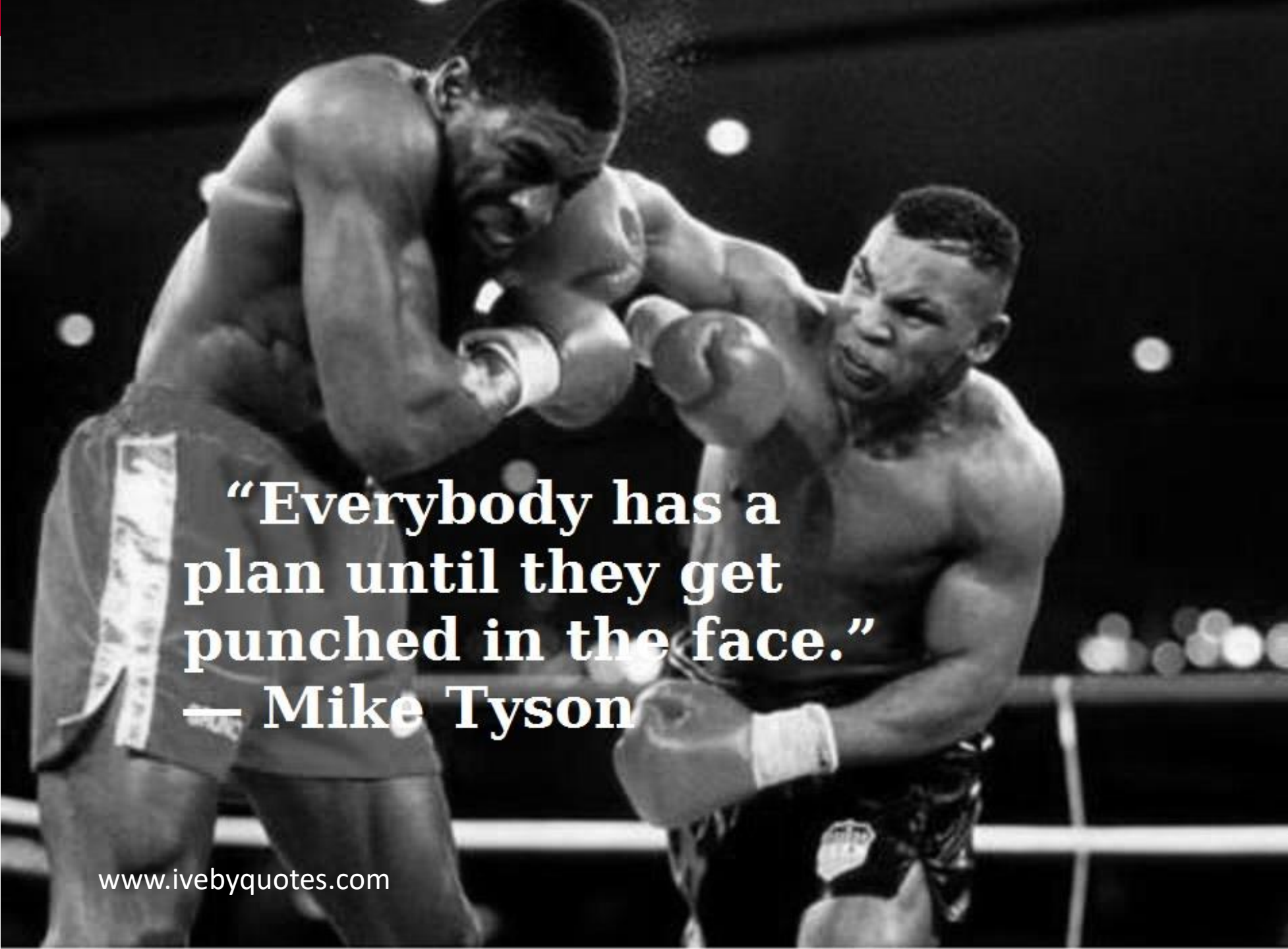
Source: Guth and Ginsberg, Corporate Entrepreneurship 1990, S.5.

The Four Models of Corporate Entrepreneurship



Aus: The Four Models of Corporate Entrepreneurship (2007), Robert Wolcott und Michael Lippitz, MIT SLOAN MANAGEMENT REVIEW, FALL 2007 S. 75ff

WHAT IS A STARTUP



**“Everybody has a
plan until they get
punched in the face.”
— Mike Tyson**

Some thoughts

- Question 1: What percentage of start-ups fail to reach their ambitions
 - Answer: depending on statistics: between 60% and 95%.
 - Only 5% of startups implement their business plan
 - But: Only about 10-20% of startups are forced give up!
- Question 2: Why are goals not achieved?
 - Lack of capital? Liquidity?
 - ...
 - A business model that doesn't work!

Report: 75% of Venture-backed Start-ups Fail

BY JOHN MCDERMOTT

One Harvard Business School professor says that a high number of venture-backed start-ups kick the bucket, while the industry says otherwise.



91 SHARES

<http://www.inc.com/john-mcdermott/report-3-out-of-4-venture-backed-start-ups-fail.html>

When it comes to venture capital, maybe you shouldn't believe the hype.

About 75% of U.S. venture-backed start-ups fail, according to Harvard Business School senior lecturer Shikhar Ghosh.

The failure rate [Ghosh reported to the *Wall Street Journal*](#) is far higher than industry reported failure rates, which range from 20% to 30%. The National Venture Capital Association, for instance, estimates that only 25% to 30% of venture-backed start-up fail completely.

Ghosh told the outlet that venture capitalists "bury their dead very quietly."

But the discrepancy may be due to different definitions of failure, he added. Ghosh's research estimates 30% to 40% of high potential start-ups end up liquidating all assets--a failure by any definition. But if a start-up failure is defined as not delivering the projected return on investment, then 95% of VC companies are failures, Ghosh said.

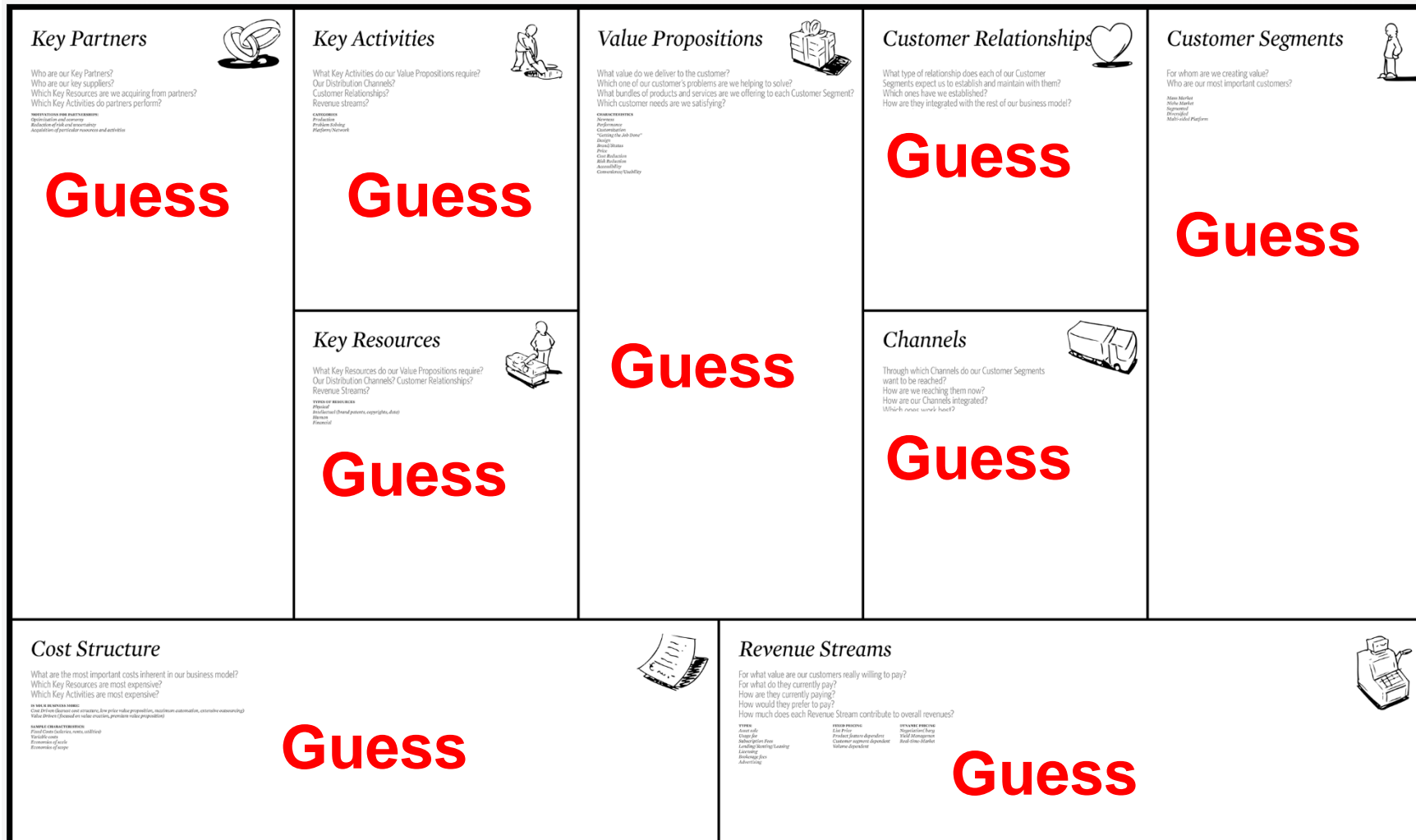
9 Assumptions

The Business Model Canvas

Designed for:

Designed by:

On: The Month Year
Iteration: The

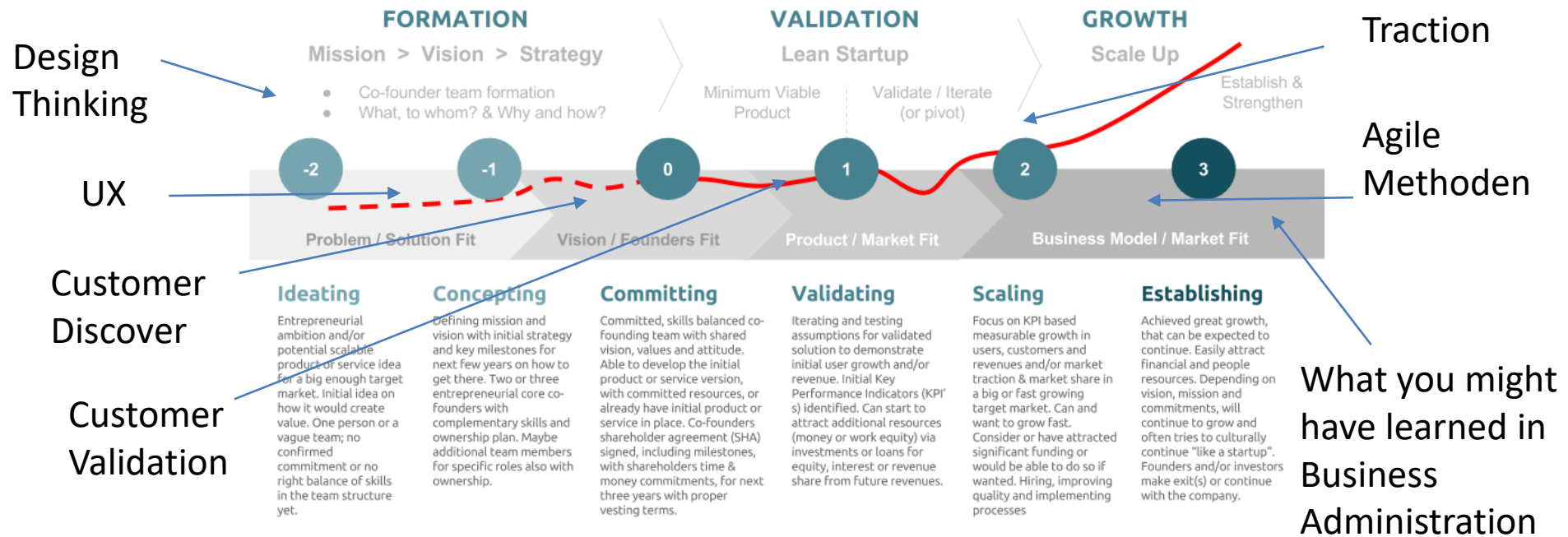


What is a startup?

- Definition: a startup is
 - **temporary** organization designed **to search**
 - for a **repeatable and scalable business model**
- Startups Fail Because They Confuse *Search* with *Execute*
- The Lean Startup Framework **comprises a set of tools and processes** aimed at **validating hypothesis about customers** early while staying **agile** in the process

Aus: Blank, Dorf: Startup Owners' Manual

Typical tools and methods



Startup Development Phases - From idea to business and team to organization.

Version 3.0 - www.startupcommons.org



It is not just about startups!

Harvard Business Review (May 2013)

Harvard Business Review

REPRINT R1305C

SPOTLIGHT ON ENTREPRENEURSHIP

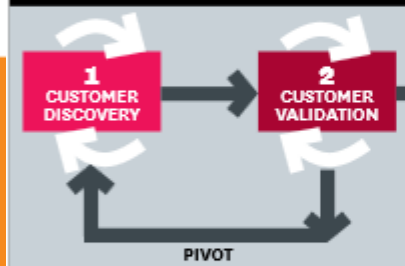
Why the Lean Start-Up Changes Everything

by Steve Blank

Listen to Customers

During customer development, a start-up searches for a business model that works. If customer feedback reveals that its business hypotheses are wrong, it either revises them or “pivots” to new hypotheses. Once a model is proven, the start-up starts executing, building a formal organization. Each stage of customer development is iterative: A start-up will probably fail several times before finding the right approach.

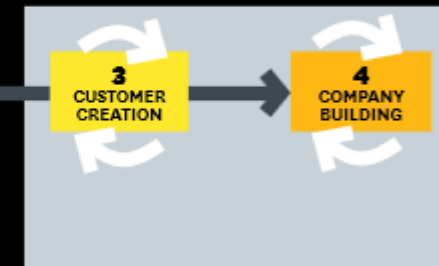
SEARCH



1 Founders translate company ideas into business model hypotheses, test assumptions about customers’ needs, and then create a “minimum viable product” to try out their proposed solution on customers.

2 Start-up continues to test all other hypotheses and tries to validate customers’ interest through early orders or product usage. If there’s no interest, the start-up can “pivot” by changing one or more hypotheses.

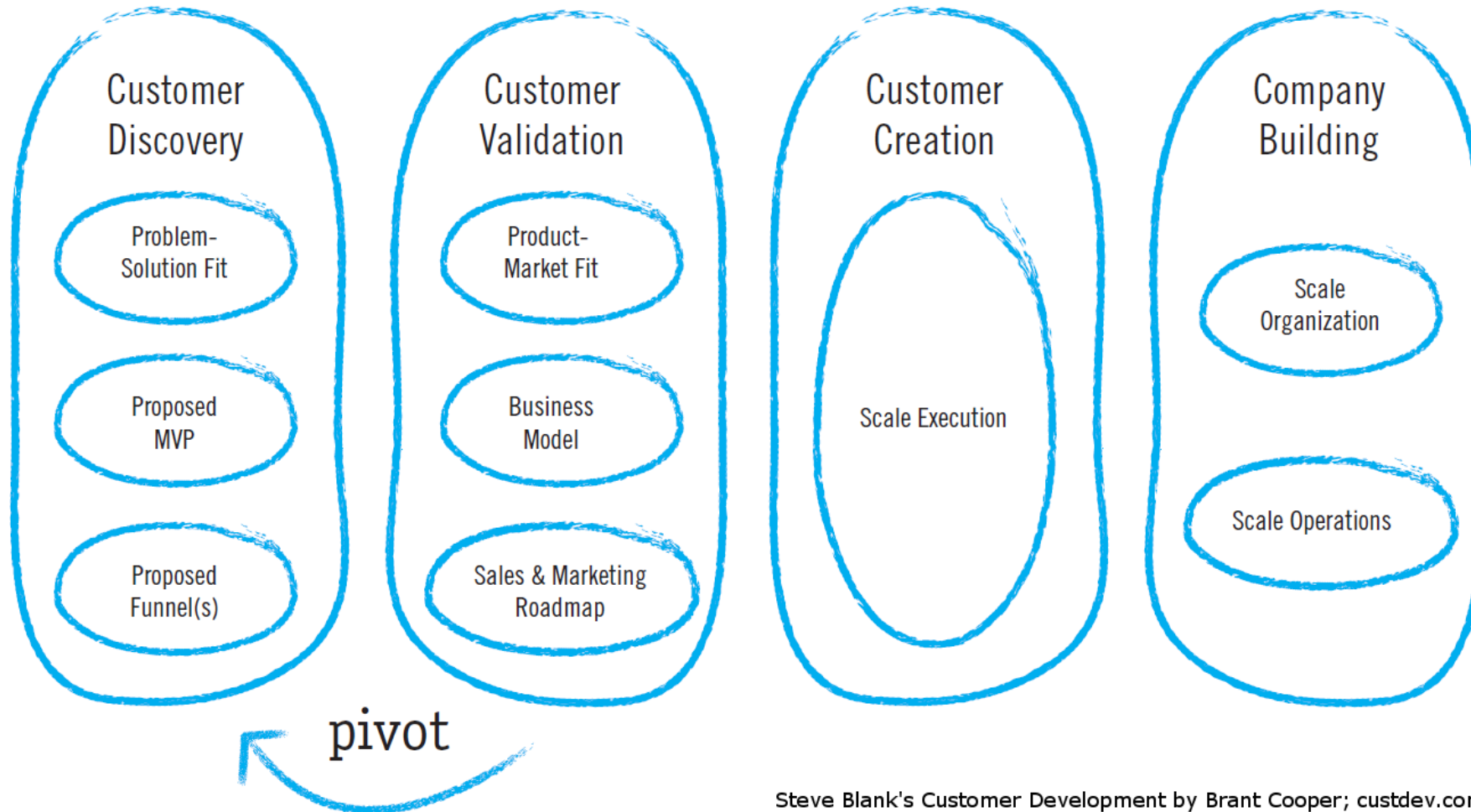
EXECUTION



3 The product is refined enough to sell. Using its proven hypotheses, the start-up builds demand by rapidly ramping up marketing and sales spending, and scales up the business.

4 Business transitions from start-up mode, with a customer development team searching for answers, to functional departments executing its model.

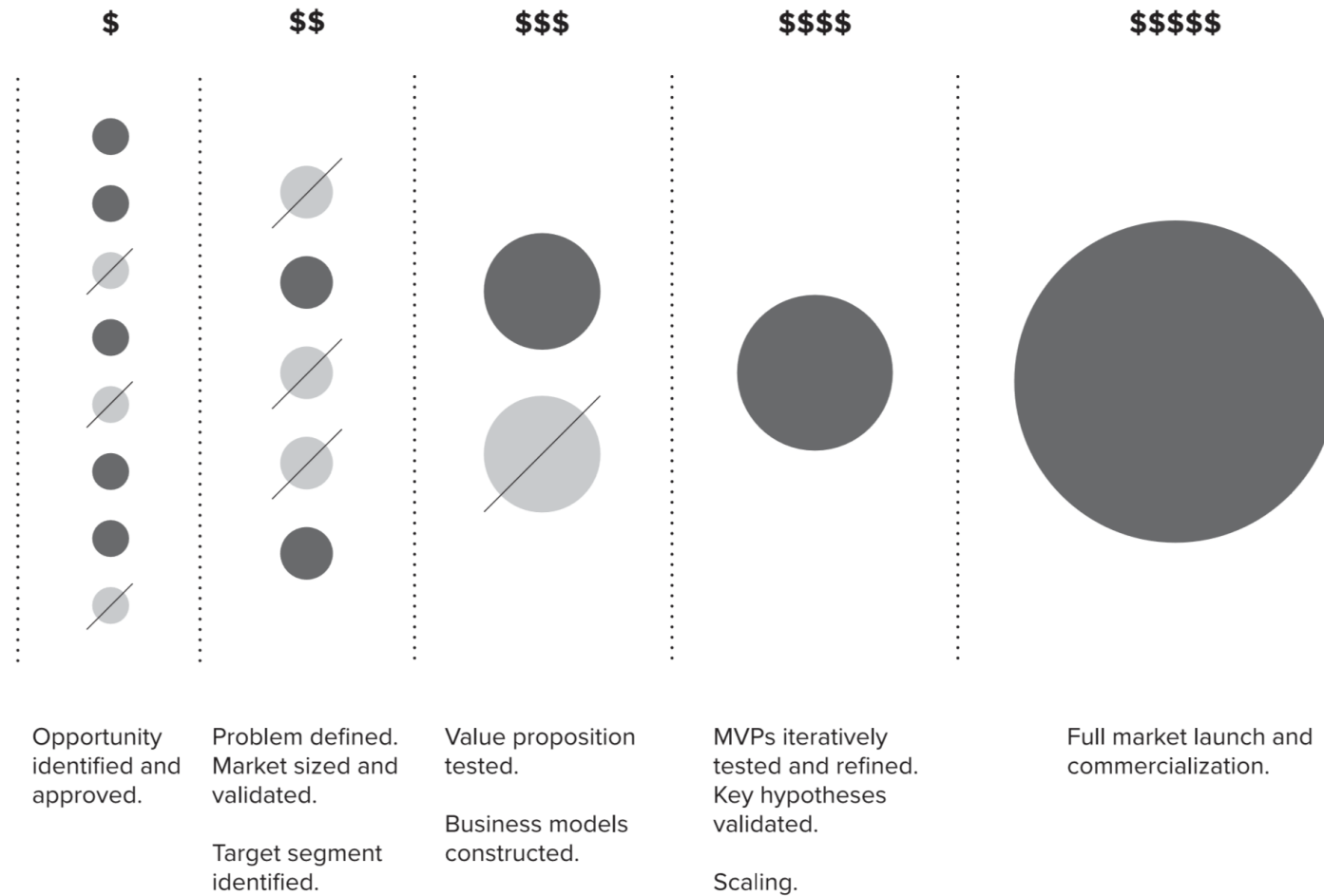
Customer Development is *how you search* for the model



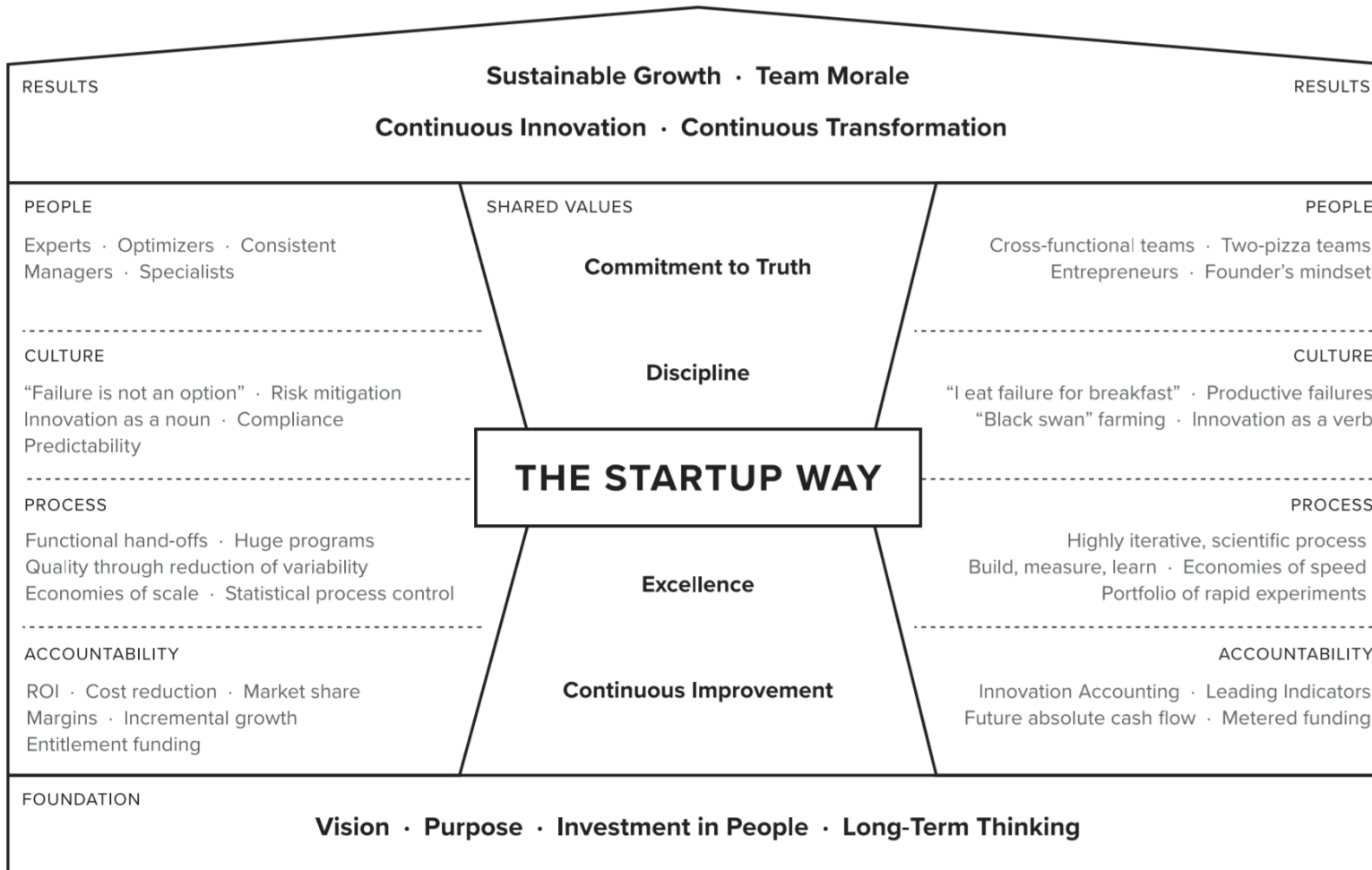
Steve Blank's Customer Development by Brant Cooper; custdev.com

Eric Ries „The Startup Way“

METERED FUNDING



Overview: Eric Riess „The Startup Way“



7. Sense of initiative and entrepreneurship

Definition:

Sense of initiative and entrepreneurship refers to an individual's ability to turn ideas into action. It includes creativity, innovation and risk-taking, as well as the ability to plan and manage projects in order to achieve objectives. This supports individuals, not only in their everyday lives at home and in society, but also in the workplace in being aware of the context of their work and being able to seize opportunities, and is a foundation for more specific skills and knowledge needed by those establishing or contributing to social or commercial activity. This should include awareness of ethical values and promote good governance.

Essential knowledge, skills and



Skills relate to proactive project management (involving, for example the ability to plan, organise, manage, lead and delegate, analyse, communicate, debrief, evaluate and record), effective representation and negotiation, and the ability to work both as an individual and collaboratively in teams. The ability to judge and identify one's strengths and weaknesses, and to assess and take risks as and when warranted, is essential.



An entrepreneurial **attitude** is characterised by initiative, pro-activity, independence and innovation in personal and social life, as much as at work. It also includes motivation and determination to meet objectives, whether personal

Entrepreneur is not a job title. It is a state of mind of people who want to alter the future.

Guy Kawasaki

Digital Transformation



"We need to rethink our strategy of hoping the Internet will just go away."

Quelle:
<https://medium.com/@vandicla/digital-transformation-599f5a19c25e>

Kontakt Daten

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Hochschule der Medien Stuttgart

Nobelstr. 10

70569 Stuttgart

In the following slides you will find four different headlines for the year 2025

1. Your preferred local newspaper sells its IP to Google news and ceases print circulation
2. Premium German Automotive declares in year 139 of existence to be an asset management company only selling of all the assets
3. Neighborhood merchants closes down and may become a warehouse for Amazon Instant
4. Stuttgart Media University closes down nachdem die

Preferred local newspaper

It is the year 2025 Swabian newspaper ceases the printed edition. „Since 2017 we have seen a decrease of our printed volume from close to 200.000 to less than 70.000. Moving forward we will provide a printed magazin style weekend issue and provide news on our webiste“ the editor in chief ist quoted. Behind the scenes it became known that the bank owning the shares sold the assets to Googlenews for an undisclosed amount not taking over any journalists.

Premium German Automotive

Premium German Automotive declares in year 139 of existence to be an financial service company only. The car brands were sold in an equity deal to chinese companies, the truck and van divison were merged with the activities of a Californian company and the remaining production plants to Foxtron keeping only the financial division. „Neither production nor our brand are still a differentiator. Our ability to rent our vehicles and to provide mobilty is unmatched in Europe,“ the CEO is quoted. „We have to focus on the areas providing the best return on the capital employed.“

Neighborhood merchants

Neighborhood merchants was started in 1965 by a local family and was operating under the EDEKA-brand for the last 60 years. The son of the founder has announced that after his retirement the shop will close down. „For the last 5 years I have tried to find a successor. Several key employees considered it, but after looking at the numbers – we lost half of our revenue since 2015 – they all declined“. There are rumors that the building may become a warehouse for Amazon Instant, but for the moment a village of 5.000 people is left with a discount store only.

Stuttgart Media University

The roots of this prestigious institution date back until the year 1853. With enrollment having peaked 8 years earlier with 5.000 students it declined to less than 3.000 students last year. Stuttgart Media University is one out of five campuses to be closed within the State University Systems. The state minister of education and research explains this decision: „The universities of applied sciences need to focus on their core competence being the training of engineers and move away from all those vanity study programs. Also, we have decided to close those locations where we have use for the buildings“.