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Established Companies meet Start-ups

Case: A service to research developing business models in start-up hot spots around the globe

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This thesis presents a business model with the aim to improve conversation between traditional companies and newly established start-ups.

The assumption that such conversation can be facilitated by scouting for innovation in start-up hot spots around the world, will be discussed throughout the paper. The purpose of this work is to lay out a plan which can be presented to a first range of possible customers, with the goal of negotiating a trial cooperation.

Before introducing the business model, the foundations of lean start-ups and disruptive innovation are illustrated. To make the business idea comprehensible I am making use of the “Zipper Structure”. Each part of the business model therefore starts with an introduction of theoretical backgrounds and practical insights from branch experts. This part is then followed with the implementation of my own business idea.

For constructing the business plan I make use of both, the “Business Model Canvas” and “Value Proposition Canvas”

To conclude, the challenges of establishing such business model are discussed. Finally, a range of first possible customers is introduced. Furthermore, developments and adjustments to the business idea are suggested.

The thesis argues for the need of an external service, which established companies can use to identify innovative start-ups, in order to equip themselves for structural changes driven by the digital revolution.

Keywords
Start-up, business model, disruptive innovation, entrepreneurship, digital business, digital revolution

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1 Introduction

The aim of this thesis is to prototype a tool, which allows traditional companies with established products, to access the immense flow of innovative ideas in start-up hot spots around the world. In my home town Stuttgart, Germany, global market leaders producing highly technically engineered products are the biggest employers. There are many jobs, and the economic situation is flourishing. Meanwhile friends and colleges working in newspapers, retail, banks, hospitality and many other “business to customer” branches complain the steady loss of customers in their business sectors. I am witnessing a trend in which customer goods are given further to end users, cheaper, and more efficiently with the use of digital tools. My plan is to now improve the communication between traditional businesses, and start-ups driving the structural digital change. All this with the goal, to help traditional German and Finnish businesses to enlarge their portfolio and secure for possible structural changes in the future.

To understand how business models like AirBnb or Uber develop, my aim is to learn where ideas for new businesses emerge, and what happens during their growth.
My strong interest in developing my own business, made me take an internship in the worlds hot-spot for digital business: Los Angeles and San Francisco. Alongside my internship I visited plenty of meetups and events for entrepreneurs and digital developers. I witnessed many remarkable presentations on new business ideas, and met enthusiastic entrepreneurs trying to take their start-up to a next level. I was in an environment full of ambitious visionaries, and I believe it is possible to connect this innovative flow of ideas with established companies in Germany and Finland.

I will give an introduction to the concepts of lean, value driven business models, and disruptive innovation. Data in this paper is based on books, periodical- and online articles. Interviews with experts from California and Germany help me to analyse the current economic situation for traditional businesses and start-ups.

The outcome of this thesis is a business model concentrating on visiting start-up and entrepreneurial events to access information on newly emerging trends and sell it to companies wishing to enlarge their portfolio. The concept is supposed to create a link between the ideas of young entrepreneurs today and the corporate headquarters of established enterprises. Instead of planning how to become the next Uber, Airbnb and Facebook this model deals with the question how established businesses can see the competition early enough to take preventive steps. The to realize the idea will be discussed in the conclusion.

1.1 Data collection and business design

The business idea builds on the results of interviews I made with branch specific experts and information I acquired from, books, newspapers and online articles. Theoretical groundwork and the opinions, views and comments of experts will be brought up and discussed throughout this paper.

For recent information on how start-ups can successfully use online marketing tools to promote their business I interviewed my friend and entrepreneur Allen Perumal. He is a tech industry entrepreneur in San Francisco. He worked for a web development firm until 2010. When the companies' profits started growing but his salary didn't, he decided to start his own business called "creative web systems".

"The company does not only deliver websites with impressive looks but also aims to create an effective online presence that can represent the best image and identity of its clients' business" (creativewebsystems, 2015).

His vision is to design beautiful, fast loading and highly usable websites. He started with the development of creative websites, his team focuses on apps and digital marketing as well.

Ernie Pang is another tech industry entrepreneur. He develops phone games and introduced me to many direct marketing methods during my stay in Los Angeles. We visited several events for young entrepreneurs, in which they can network and enlarge their business contacts. His experience and input for this paper gave me insights, on how to preform direct marketing, and create relevant business relationships with the help of digital tools.

For a better understanding of the start-up environment and changes in investment and funding, Axel Guender helped me to understand the situation. He works for the L-Bank Baden-Württemberg and is responsible for the funding of small to medium sized enterprises and start-ups. The focus of our conversation was to identify how start-ups can find financing, what new tools are available and how to deal with investors. Furthermore, he was able to explain me the structural changes banks are undergoing at the moment. During the interview his college Mr. Wilhelm joined the conversation. He works as a judge for state funded business plan competitions. He explained me why such events are valuable to each start-up, and gave me an overlook of the German start-up scene.

2 Start-ups, what makes some of them so successful?

2.1 How start-ups are established and their role in today's business environment

First of all, I want to explain the current situation of start-ups and in what relation they stand to established enterprises today. Against a general conception the term start-up does not describe anyone starting a new business. Neither does it sum up any low budget inventor working on a game changing idea in his garage. Nowadays start-ups can be found in governmental organisations and globally operating businesses. Start-ups exist in any branch, as long as they follow the same common goal; the introduction of a new product or service under extremely uncertain conditions. (Ries, 2012)

When companies grow they loose much of their agility. While established companies improve the business they operate in, start-ups question these traditional business models and explore new unconventional approaches. They are risk takers with little to loose, and are defined by innovative thinking, a high sense of market orientation, but as well little experience and limited funds. Their small size allows them to be closer to the customer and adapt quickly to changing buying behaviour. (Fischer & Arz, 2015)

Traditional business models on the other hand need more time to adapt, they develop new products and services until all defaults are eliminated. This process can take up a lot of time. The product development is kept in secret to protect from competitors, with the side effect, that the actual customer is rarely involved in the development process. When products are solely developed based on an innovators vision, actual customer problems can be left unsolved. Only when a product finally launches, the company is able to receive actual feedback from real customers. At this stage a lot of money has already been invested, and if the entrepreneur doesn't have enough funds left aside, he might not be able to fix possible weaknesses of the product. (Ries, 2012)

A start-up on the contrary is defined by flexible, rapid and cost effective management. In the start-up model the entrepreneur confronts his vision or a first minimally functioning product (MFP), to possibly interested clients right from the start. Eric Ries views a start-up as an experiment, with the goal to test if and how the vision of an inventor can create synergy with the needs of a customer segment. (Ries, 2012)

The banking sector is experiencing a strong growth in this new form of competition. Branch strangers like, web developers and IT experts introduce applications, which turn

the whole industry upside down. Usually people who wish to save or lend money, trade stocks or buy foreign currencies, have to visit a bank. Today there are several apps making these services easier; Nutmeg for savings, Kabbage for loans and Robinhood for the trade of stocks. Traditionally a possible competitor was someone who introduced a cheaper or better product. Today the competition consists of increasing amounts of small start-ups, with improved and leaner business models. They attack where most money is generated. Often when a market leader discovers the competition, it is already too late. (Geldner, 2015)

These starts-ups have new business models which allow them to generate revenue differently, then some established businesses. In this case banks realize the new competition but don't take the vital steps to sustain their market position as it would undermine the current revenue stream. Nevertheless, enterprises realize the ongoing structural change and respond with corporate entrepreneurship. This phenomenon describes the outsourcing of projects with current validity, in order to be managed like start-ups, with the goal to adapt to a more dynamic environment. (Fischer & Arz, 2015)

2.2 Structural changes

When discussing with Axel Guender how start-ups will change Germanys business environment, we came to the solution that with the dotcom bubble ten years ago society was not ready for the digital jump. Today many digital start-ups still fail, but with steadily improving technology the digital revolution is now real and taking place. The digital movement allows customers to reach a business's core values more conveniently. The best examples today are Uber and Airbnb. Any branch where the core value of a business can reach its customer without the need of a big business apparatus can be disrupted. Traditional banks have thousands of employees, a banking app start-up, has about 6. Services will become cheaper and a company's profits will be shared among fewer people. Traditional business models are and will be attacked on many levels.

Private investors have immense amounts of money and the returns of investment in a successful start-up can be tremendous. It is a profit driven movement. The mentality is changing and traditional businesses are adapting slowly. The middle men between company and buyer becomes dispensable as the values can be transmitted in a digital form. Nevertheless, start-ups are often facing huge legal burdens. The state and government has an own interest in keeping traditional business models running. On the one hand to secure employment, on the other, because often the state itself is a shareholder. Branches like the public sector, in which the state is involved are heavily regulated. This

can place a big obstacle for emerging start-ups. The idea of Uber was initiated in Germany but could legally not be pursued. Start-ups have failed because few legal procedures were disregarded, which finally forced the company to rethink their entire business concept.

Start-ups will therefore need to partner up with established businesses, which meet the legislations, or move to a less regulated business environment. Established companies on the other hand will finally depend on start-ups as a tool to reach their customers.

Start-ups test and prototype

Before start-ups find a functioning business model, they run their products or services through a certain test and improvement cycle. The key concept of this cycle is to introduce a minimally functioning product (MFP) or service in the early stage of development to a small group of first users. Often several prototypes are tested in different customer groups to evaluate which finds the most acceptance. This testing phase enables the entrepreneur to study real customer behaviour right from the start, instead of evaluating hypothetical questions and surveys.

The main outcome of this testing phase is to gather information on the actual customer. It is to validate the entrepreneurs' assumption that a market for such product exists. Further it helps to define the actual benefit for the customer and its end usage. It becomes clear which part of one's vision creates value for the customer. (Ries, 2012)

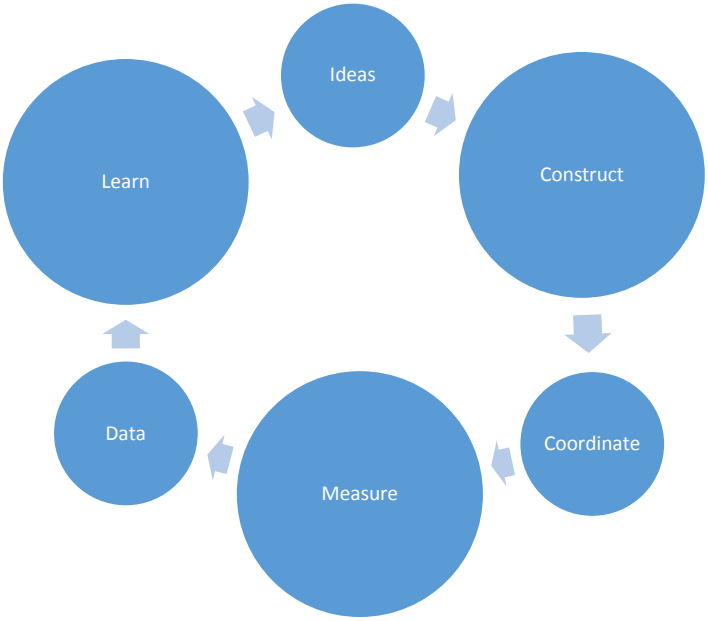

Figure 1. The Start-up cycle 1 (Ries, 2012)

Figure 1 is an illustration of this improvement cycle. It shows that the entrepreneur should construct a prototype of his vision, which can be tested with possible customers. Learning outcomes from this test-phase can then be coordinated and measured. With the collected data from the measuring phase the entrepreneur can now learn what needs to be improved. When a prototype has been tested and changed accordingly to fit the customer's needs, it reaches the measuring phase. Entrepreneurs need to measure if the product development efforts have caused any real benefits. These efforts are essential to validate whether one is moving towards the right direction. This will finally lead to new ideas which can then be tested and measured again until the product becomes ready for the launch. Ideally companies try to minimize the run-through time of this cycle continuously.

The introduction of a new prototype comes along with a lot of excitement. Entrepreneurs are convinced of their visions. This strong asset can quickly turn into a weakness, if the first launch of the prototype is not seen as a testing phase, but as an actual product launch. Feedback might be misinterpreted to support the flawless view of a vison. It harms businesses when entrepreneurs rest on their first small efforts in the testing phase. When a product finds acceptance it only triggers the development process to start. Start-ups die because entrepreneurs focus too much on the first group of users and do not stress enough new acquisitions. Products should therefore be developed until they find acceptance with the main stream users. (Prazak, 2015)

A study on the first year after a start-ups registration shows that every 4th newly established enterprise changes its name. Often companies changed their names several times. This information underlines the hypothesis that start-ups perform many strategic changes while passing through the above mentioned improvement cycle. In this example companies changed their strategy so radically that even the name had to be replaced. Main reasons for the change were planned internationalizations. (Voss, 2015)

The most important assets of a start-up

Allen Perumal was especially proud of his team. He couldn't do everything by himself, he said, and needed assistance from people with expertise in different fields. He reminded me that the proper selection of a functioning team is of major importance for a start-ups success.

Mr. Guender and Mr. Wilhelm, the two bankers I talked to explained me the same issue. People with a good network were able to bring the people together to finally realize a business idea.

At the moment there are only few digital start-ups in Germany, simply because there are fewer people with profound IT knowledge. More common is a combination between a manufacturing process with digital selling approach. The entrepreneurs task is therefore not to design and produce the product himself but to know how to access the right knowledge and people. Many German digital start-ups have not developed their app or website themselves but knew how to reach out to a web devolvement team to realize the idea. The successful entrepreneur can therefore bring marketing experts, tech experts and investors together to focus on the question, of how to simplify a complex topic to the maximum. The most valuable skill of entrepreneurs is according to my interviews, to be able to put oneself in a customer's position and empathize with his problems.

Another major asset of a successful start-up is that it has the ability to cost effectively produce a first prototype. Mr Guender therefore introduced me to one of the start-ups, his bank is funding. The company "8-grad.net" from a wine growing area close to my hometown recently introduced a new lifestyle drink; sparkling wine in a stylish bottle. From scratch nobody wanted to invest into another lifestyle drink. Due to the entrepreneur's wine grower background, they already had the fixed assets to produce the drink, which allowed them to produce a cheap early porotype. When the investors tried, and were convinced of its quality, external investment took the start-up to a whole new level. Successful start-ups therefore often combine pre-existing assets to quickly design a new product which can then find external investment.
The Silicon Valley is filled up with tech start-ups, because people with the knowledge were able to program cheap prototypes which could then convince investors.

2.3 Disruptive Innovation

Innovation everywhere - so it seems. Commercials and strategic advertisement communicate how every new product or new generation of a product is creative, innovative and unique. Almost every established company is priding itself to be an innovative leader in its branch. (Gassman & Friesike, 2012)

These traditional forms of innovation are called performance-, and application-innovations. Performance innovation describes the improvement of existing products for an existing market. Examples are any new smartphone or piece of clothing. Application innovation on

the other hand creates a new product for an existing market, or transfers an existing product to a different use. Application innovation is the recipe to many success stories. For example: Viagra is based on a medicine that lowers blood pressure, with side effects that were generally known. Often customers buy certain products and use them for a different purpose. (Gassman & Friesike, 2012)

Many companies today are continuously developing new products without regarding the benefit for the end-user. Cost extensive product development which for example carries the transmission from hd Tv to 4k. Finally, the customer doesn't gain much from this development and is rather convinced of the selling argument. Companies orientate themselves at what the competition does. (Haubner, 2015)

"Disruptive innovation" brings a new perspective to the term which for a long time only described the improvement of a product. The term was first introduced in 1995 by Clayton M. Christensen, a professor at the Harvard business school, and describes businesses that tear up and often replace traditional business models. (Frankenfeld, 2015)

Today disruptive Innovation is the revolutionary motto in California. It describes the questioning of functioning business models and the conquering of new markets with the help of technology. This digital revolution is driven by its pioneers in the Silicon Valley. It changes fundamentally how companies generate money and customers experience value. "Move fast and break things" and "what would you do if you weren't afraid", are two slogans written in the entrance hall model of the new Facebook headquarters in Palo Alto, California. They capture the spirit of the start-up movement and define the term disruptive innovation. The motto carries the message that governments and regulations are no more boundaries and that with technology the world will become a better place. This movement is driven by courageous entrepreneurs not shying away from serial failure. In this process so many billion dollar deals are involved that Wall street starts to worry about its future. (Weissenborn, 2015)

Finally, Innovation comes in two ways. One which shapes the existing to sustain a certain market advantage for a short period. The other to create an entirely new market or inherit an old market. The second way can lead to a long term leading market position. (Birnbaum, 2015)

This start-up thinking can as well be transferred to deal with non-business related topics, such as addressing current political issues. In Germany, a country known for its innovative engineering but as well for high levels of bureaucracy, the traditional ways of operation

don’t match the current changing demographics anymore. For the past months Europe has been experiencing a dramatic growth in incoming refugees. The challenge is to integrate this human capital in the European work force, to teach them the language and connect with future employers. But old fashioned integration processes miss the required speed to match the immense flow of fugitives.

A leaner, faster and more innovative registration process is required. Germany is facing an enormous amount of asylum applications, that the traditional asylum application process cannot cope with. The key problems are the missing speed in registration and missing human capital to teach and assist with documents and registration. Obviously a more digital approach could help the situation. Instead of investing in teachers, the government could invest in software that enables refuges to learn by themselves. Instead of running expensive offices, online registration processes and digital assistance for the handling of documents could be the future. From the perspective of an innovator this is the best time for new innovations. There is a real crisis, real problems and enough processes needed to be improved. (Meyer, 2015)

An app that allows asylum seekers to conveniently learn German on their smartphones has been introduced just a few weeks after I wrote down the paragraph above.

Connecting innovative start-ups with an established business routine

An entrepreneur first sees the vision and goals of his company. Meanwhile the CEO sees the problems why certain idea can’t be implemented. When start-ups grow the moment will come, the start-up character has to leave and be replaced with some real structures. With these one can grow to generate more profit. Nevertheless, certain start-up characteristics shouldn’t be lost throughout the process. (Deutschmann, 2015)

In the start-up phase, close working relationships allow high productivity and fast exchange of knowledge. These benefit an agile and constant adaption to a changing environment. The more successful a start-up becomes the more staff is needed to keep up with the growing demands. More staff on the other hand requires new structures. Suddenly the need for bureaucracy arises. It is now relevant to find a synergy between an efficient strategy and working environment, which continuously allows strong relationships and the flow of fresh ideas. (Nguyen, 2014)

The goal of a start-ups growth is to shift its customer base to larger scale. A newly introduced product should become available for a broad span of people as quickly as possible. The innovative idea has to therefore undergo some tuning. It has to be turned into a product which can be produced in high quantities in a cost effective way. The innovative idea needs to fit a routinized workflow and therefore combine two elements. It first needs to find a solution to a problem far off the conventional problem solving pattern. Secondly it needs to fit the subsequent functioning. An innovative idea is worth nothing when it can't be combined with the efficient and reliable routine

"The Creative ideas of today become the routine of tomorrow" (Nöllke;Beermann;& Schubach, 2012)

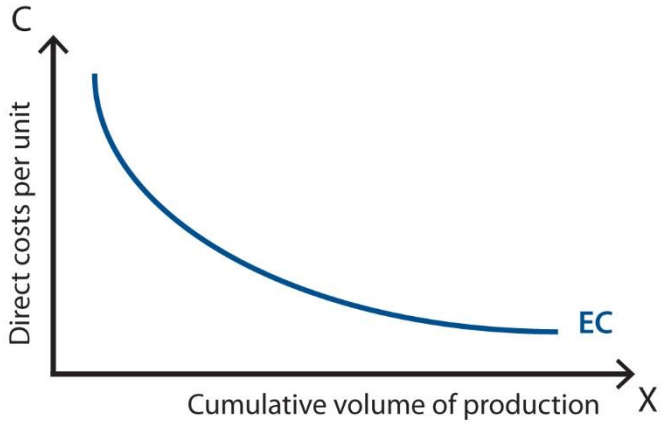

Figure 2, The Learning Curve (Boston Consulting Group, 1987)

The learning curve from the Boston consulting group describes how companies become routinized and later start dealing with competition. When a product is first introduced the production quantities are relatively little compared to the high costs of production and development. Each time the number of produced items is doubled the costs of manufacture will go down to a certain percentage. As figure 2 illustrates, after a certain amount of time the doubling of the produced items will lead to almost no reduction in production costs. This stadium can then be defined as routine. On the way to a routine competition arises. When the competition manages to learn faster or to lower the production cost more efficiently than the initial market leader, the competitor will at some point take over his market position. Innovation becomes relevant when it allows a jump in the costs of production. This means that the same values can be transmitted with lower production costs. (Boston Consulting Group, 1987)

3 Researching developing business models in start-up hot spots around the globe

A business plan is the foundation of any well-established business. It discusses step by step what the company is, which products or services it delivers and which market it is aiming for. It analyses competition and customer segments and tries to explain how the business idea can fit into its complex surrounding. The strategy is then followed by a financial plan. Budgeting, pricing and financing goals are supported by several facts and figures such as; break even and cash flow calculations. Finally, the business plan can be a very detailed report, which lists the key elements of a business. (Bolden-Barrett, 2015)

Less is more!

"Perfection is Achieved Not When There Is Nothing More to Add, But When There Is Nothing Left to Take Away" (Exupéry, 1939)

The goal of a complex system, or in this case business plan, is to simplify it to the maximum. It should be the aim to identify the exact usage of a product to make its use for this purpose as easy and convenient as possible. The more functions and features a product has, the easier we wish each one of these functions to become. Easy and elegant solutions, that do what they're supposed to do, become more and more favoured.
For example, to save the costs from putting a "push" sign on a door, one can simply leave away the door knob. Anyone passing through is simply forced to push. User-friendliness is found through efficient timesaving operation. Consumers search user friendly and logical solutions. Every additional service makes the customers buying decision more challenging. An innovators task is therefore not only to decide what functions are useful, but as well which can be dispensed. There is nothing more elegant than an easy solution. (Gassman & Friesike, 2012)

I believe the business model canvas is an easy and elegant solution, to simplify traditional business plans. I will therefore use it to pivot my own business idea. The exact purpose for this plan is to prototype a business model, which can be tested among first possible clients. As figure 3 illustrates, the main strength of using the business model canvas is that all business relevant information is visible on one page. It visualizes the business idea by regarding nine different key business factors, the so called building blocks. All the blocks structure around one main block which describes the heart of the business and its unique values, the value proposition block.

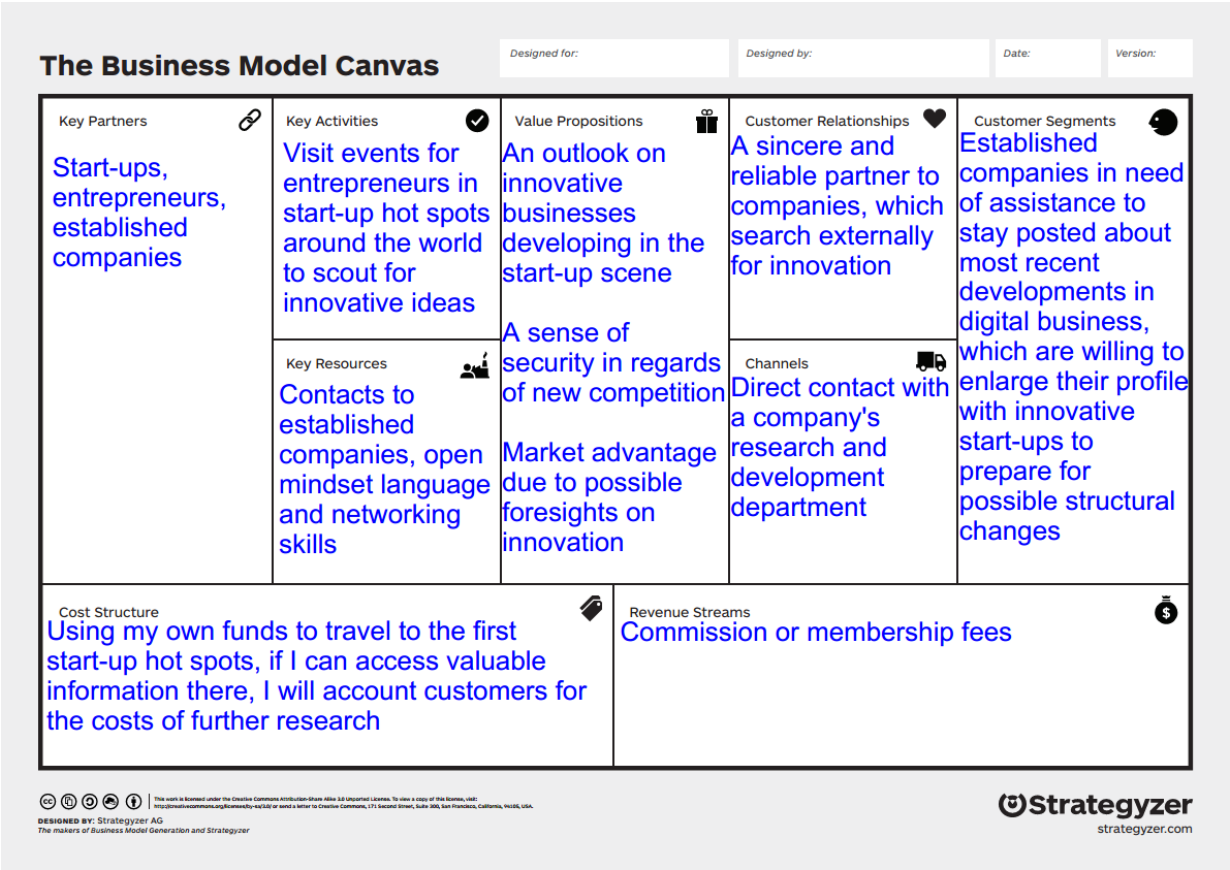

Figure 3. Business Model Canvas (Osterwalder;Pigneur;Bernarda;& Smith, 2015)

3.1 The Business Idea

Global corporations are ruling the world. They influence politics, and purchase possible competitors or start-ups with a promising future. These multinational companies have broad portfolios of brands and companies in different branches. It secures them to always have several irons in the fire and adapt quickly to possible market changes. Small to medium sized companies usually don't have such a broad portfolio and also have less funds to invest in research, development and innovation. Furthermore, these enterprises are facing new forms of competition.

In the past, a competitor was someone who could sell the same product for less or produce it in a higher quality. Today's competition consists increasingly of digital businesses, which provide a cheaper and faster transmission of values. These new digital start-ups grow extremely fast. Unlike the traditional product development process, which was kept in secret, start-ups go for a more adaptive and transparent approach. The transmission from an idea into a functioning business can happen within a few weeks and is facilitated by profound IT knowledge and intensive early investment.

They key objective of my business model is therefore to identify start-ups when they are testing their prototypes, in order to create a link between them and well established businesses.

In order to access information on emerging trends and new business models, companies visit sales fares or scan the internet for new websites and concepts on crowdfunding pages. In addition to that I believe its beneficial for medium sized enterprises, to be linked to a team that is physically present in start-up hot spots around the world. Persons which join the same events as young entrepreneurs do, drink at the same bars, and network with ambitious visionaries. All this with the goal to provide established enterprises with information on trends in the start-up scene, and suggestions for beneficial portfolio additions. The goal of this conversation, is that a client of this service could get in contact with a promising start-up and discuss a cooperation. A start-ups benefit from this cooperation is, that it could use the established company as a non-capital driven investor.

3.2 Value Proposition Canvas

The value propositions in the business model canvas outline what benefits a business creates for its customers. There can be several value propositions and each one should describe how the product or service distinguishes from its competition, and how exactly the customer gains from that. They explain in what situation a customer would experience the need to purchase mentioned product or service, and to choose this one over another. (Osterwalder;Pigneur;Bernarda;& Smith, 2015)

Every element of the business model canvas builds around the value proposition block. The surrounding blocks explain the channels, financial and marketing tools which will finally allow the creation of customer value. The value propositions are a very complex topic. They summarize and develop the purpose of the business. To get a better understanding of how customer value can be created and what issues customers actually value and why, Osterwalder designed the concept of a value proposition canvas (Figure 4). This canvas allows a closer look on the value propositions and tries to explain how they respond to each customer segment.

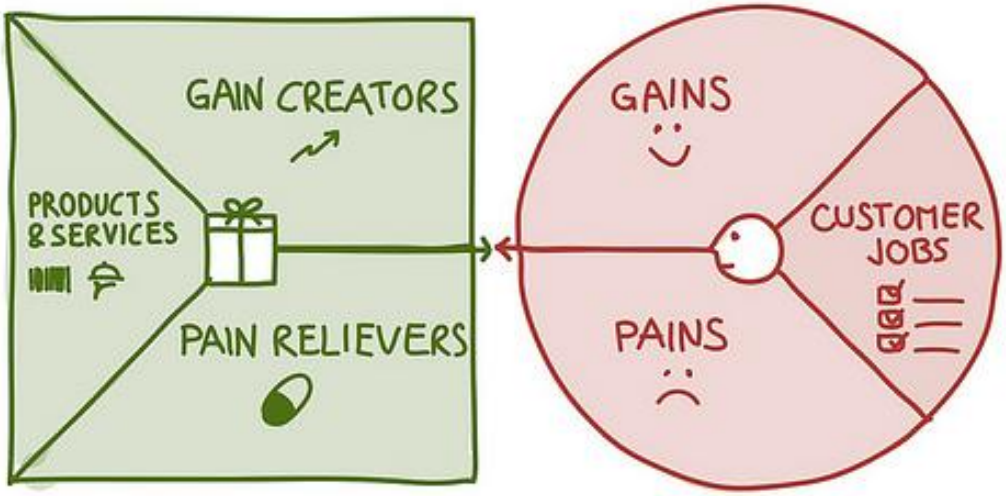

Figure 4. Value Proposition Canvas (Osterwalder;Pigneur;Bernarda;& Smith, 2015)

The value map on the left hand is split in three parts; products features, pain relievers and gain creators. Using this map helps to eliminate customer pains and create a positive experience. The product features describe any tangible or service based good a company delivers. These services or goods should be a support to the previously identified jobs in the customer segment. Each product or service should help the customer to achieve his goal of getting certain job done more efficiently or more conveniently. After the customer pains are precisely mapped and ranked the pain reliever section in the value map now lists every aspect of the product or service that helps to reduce identified pains. The gain creators on the other hand describe how the product features the customers wellbeing. It addresses the researched gains and tries to meet his emotional, social or functional goals. (Osterwalder;Pigneur;Bernarda;& Smith, 2015)

Customers

To understand the position of possible customers (see figure 4, the red diagram on the right-hand side), I want to tell the story of how music industry has changed and how previous established companies have been pushed away due to new technology.

Today we know music and data can be delivered and captured on several different mediums. The first of such medium was vinyl. These were soon replaced with tapes. Later the competition invented CDs. Today CDs and DVDs belong to the past as most people purchase their music online in mp3. This industry has to now make room for new development, as high-speed internet connections allow uninterrupted streaming of music. (Resnikoff, 2015)

Interesting is that few of the ancient producers of, vinyl or tape were able to make the transfer from old technology to the new, and therefore went bankrupt.
The uprising entrepreneur can try to learn from this phenomenon. (Cosper, 2015)

When new innovations are launched they follow a certain scheme. The first versions of a new technology are usually quite expensive and find few buyers. As the price of this new technology drops under a certain limit, it becomes interesting for the first potential clients. When a critical mass starts purchasing enough of the new technology its establishment on the market begins. A critical moment is reached when the amount of customers of the new technology passes the amount of people purchasing the old one. Once a product has gone through these phases it becomes commodity and its production in lower costs and higher quantities can begin. We can conclude, the sooner a company joins in on the innovation process the more likely it is to be able to keep its market position. This principle illustrates that any well-established industry can be fundamentally be changed with the introduction of a new invention and warns therefore not to rest on one's previous success. (Gassman & Friesike, 2012)

I therefore wish to create a service that allows businesses to identify such competition and possible game changers early enough, to become active members of the structural change themselves.

According to the BDI (Bundesverband der Deutschen Industrie) and the academy of technical science (acatech), the investments in research and development in small to medium sized companies counts 0,31 percent of the German GPI. In Finland and other comparable countries those investments are at least 3 times as high.
Many medium sized German companies are world market leaders in their branch. The country has a great reputation in excellent engineering and high quality. Nevertheless, only about half of these middle-sized enterprises have their own research and development department. In Germany, projects which are solely focused on research are not subsidised enough. Companies therefore prefer to involve in concrete physical and visible projects to save in taxes. Germany ranks fifth in an international comparison on innovation and there is doubt that Germany might fall back if the country is not becoming more innovative. (Stuttgarter Zeitung, 2015)

In general, a strong competition is good for such enterprises as it motivates them to develop themselves further. Today such competition starts to increasingly develop itself in the digital business sector. As a logical result, established companies start entering new

market segments in digital business as well. To stay on top of their new competitors they outsource projects of current relevance, to be managed with lean start up principles. (Corporate Entrepreneurship)
An example for such corporate entrepreneurship, is the introduction of e-bikes at the Robert Bosch GmbH. The company has realized that innovation could be lost within its enormous size and relevant ideas might not reach the top. The company therefore established a forum called CIP. The abbreviation stands for Continuous Improvement Process and describes the aim for employees to speak out their own ideas of innovation. Employees meet on a regularly basis and if an idea is agreed on being relevant, monetary benefits can be given to the initiator. One of these CIP processes brought up the development of e-bikes. The idea of an electrically supported bike was relatively new, and the objective was to find out, how customers would use such product. Therefore, Bosch outsourced and obligated a small team to develop the e-bike. This “company internal start-up” became successful, because it could access the companies’ funds, but still be managed with start-up principles and without the drag of the huge Bosch business apparatus. (Bosch, 2015)

To trigger similar corporate entrepreneurship, the core value of this business model is to help customers to access ideas for such innovation externally. This business model scouts for ideas in start-up hot spots around the world.
There is a large customer group of middle sized, established businesses, trying to enter and be a part of the ongoing development in digital Business, these are my target customers. This system will allow them to obtain relevant real life information on innovation, and help its clients to save costs for research and development.
Finally, I wish to deliver a feeling which allows managers of established companies to feel well prepared for possible structural changes in their industry.

Customer jobs

Once an innovator approached a global board gaming company with a new card game. Soon after the introduction the gaming company knew from its experience; the game wouldn’t sell. Nevertheless, the interviewer asked the game developer for his intensions to design the game. He replied: “I have 3 children and a job that requires most of my time. When I come home its late but I still want to experience a fun time with my children.” He needed a game which could be played within 15 minutes to fit in after dinner and sleeping time. The game itself flopped but the proper analysis which job it fulfilled lead to the introduction of a broad span of twelve-minute-games on the US market. (Clayton & Scott, 2010)

Customers accomplish jobs. They do not desire for a certain new product or service but rather for a way of getting certain jobs done more easily, enjoyably and effectively. An entrepreneur can now design his vision of a product or service to help the customer with his jobs. It shouldn't be a company's task to respond to exact user wishes, but rather finding solutions to support the accomplishment of these jobs. (Ulwick, 2002)

People and companies follow a variety of different goals; each requires for its achievement a certain task. When talking about customer jobs we therefore need to divide in different job types.
There are the so called functional jobs. These jobs describe any task the customer practices to sustain his daily survival. Such jobs can range from any work related tasks as a professional, or routines to keep the household running.
Social jobs on the other hand try to explain any effort the customer makes to be perceived by his surrounding in a certain way. Here it is important to view the different environments in which the customer interacts. The desired perception certainly varies, whether the customer talks to his colleagues, friends or family. (Osterwalder;Pigneur;Bernarda;& Smith, 2015)

Emotional or aspirational jobs describe what the customer does to feel in a certain way. This can range from joy and accomplishment to desire and security. Products and brands can help the customer along this path. One can drink Red Bull to feel sportive, wear Gucci to feel rich and drive Volvo to feel safe. In some cases, purchasing the brand itself is enough to do the job. (Clayton & Scott, 2010)

Finally, before any of the jobs above can be completed there is some necessary preparation. In this case any task which needs to be performed prior, meanwhile or after completing a social, functional or emotional job is called a supporting job. (Thomson, 2013)

For each person or company, the order in which these tasks are completed, and their importance vary. Paying close attention to the context, in which a job is performed is essential, as changes in the surrounding, can shift the significance of a job massively. (Osterwalder;Pigneur;Bernarda;& Smith, 2015)

What jobs do possible clients of my business model perform?

Clients of this service have the goal to stay on top of their competition, and look for possibilities to cost effectively add to their company's profile.
The larger a company the more likely it employs scouts, or has company internal departments for the research of new technologies, or business solutions in their industry. Profound desktop research is taking place. Experts scan for promising ideas on crowdfunding sites and elaborately read annual reports, company profiles, product brochures, press releases and articles published in the media. There are a few digital ways which help to keep track of any business of interest. Such actions can range from signing up for their newsletter or subscribing for their social media channel. Companies can as well use google alerts to stay posted on any action the defined business is performing on the internet. More physical approaches are to visit sales fares or actually purchase a competitor's product. (Joseph, 2013)

Customer pains and possible pain relievers

There can be several issues that can discourage a customer when performing a job, each with different origin. Physical pain creators can evolve when a job might for example require too much energy.
Social pains would include that a customer feels insecure or antipathetic to perform a job in a certain environment, for example breastfeeding a child in public. Emotional pains can occur when the customer is reluctant to deal with a certain kind of task, because he doesn't believe in its ethics or is afraid.
Obstacles are another form of customer pain; they forbid the customer to perform a desired task. They can include a poor health-, fiscal- or any temporary condition.
Finally, a customer is faced with risks. These include every possible solution that could endanger getting the job done at all or in a proper manner. The reason a customer is performing any job is of course to gain certain benefit, which can as well vary in their intensity. (Osterwalder;Pigneur;Bernarda;& Smith, 2015)

Segmenting by job helps to identify the real customer and competition. It helps to demonstrate the benefits and weaknesses of a product, in getting certain job done. (Thomson, 2013)

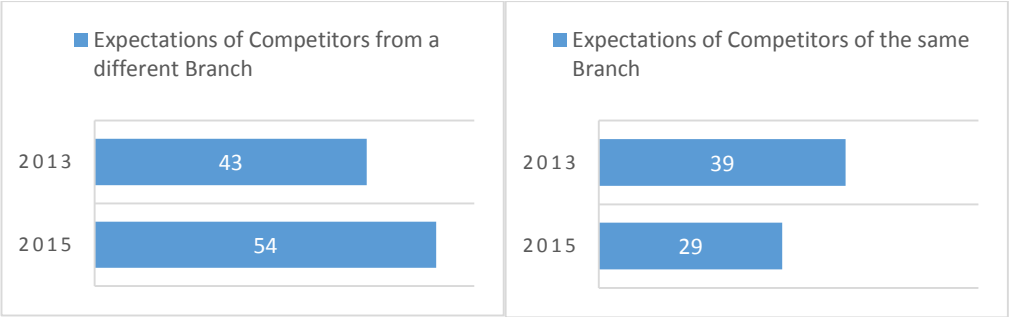

Figure 5. Competition from new branches (IBM, 2015)

Figure 5 compares managers' expectations of branch specific competition between 2013 and 2015. In 2013 Managers were more likely to expect competition to arise in the same industry as they operate in. In 2015 this attitude has changed, now they are more likely to expect a competitor to develop itself in a different branch and to swap over. This figure supports the statement of the bankers I interviewed. They were more likely to expect a new bank as competitor, instead they are now dealing with digital services which allow for example private money lending.

The customer pain I am trying to identify is that, a single, small to middle sized company can't research every new competitor or start-up in every branch. Neither can it visit every sales fair, meetup or business plan competition around the world, where such businesses introduce themselves. I am convinced, there is potential for these companies to get an improved overview of recent developments in their own or close to their business sectors. Because these companies can't physically join all of those events they perform desktop research and look for relevant information on the web. For a start-up or new competitor to be viewed as relevant, and to be found by researches, there must be some qualitative information on the web. This information can appear in form of: annual reports, company profiles, product brochures, press releases, articles published in the media or crowdfunding campaigns. This kind of information will only exist when the business is already established.

Multinational companies are performing a very good job in analysing and researching these new possible partners. Google is the overlord in this field. The company buys every business that could play a role for the company's future. Google manages to identify successful start-ups in an early stage to inbound them to the companies' profile.

Smaller companies don't have the luck to have an office and enough human capital in every innovative centre around the world. If they have overseas offices, employees there are obligated to more revenue generating tasks, than visiting business plan competitions or joining meetups.

Customer gains and gain creators

Established enterprises have the role of producing new ideas and successfully introducing new products to the market. They have all the financial tools to develop a new product and introducing it. Start-ups on the other hand have an overwhelming ambition to realize the vision of an entrepreneur. Today many start-ups are introducing new products and platforms more effectively than traditional businesses. I believe both parties can benefit from each other. The established company can support a start-up with financial or fixed assets, meanwhile the startup can realize projects more effectively and faster than an established business apparatus allows. I see it as my task to identify parties, which in such form can create value for each other and bring them together. With this I am helping to secure a client's market position, by detecting possible competitors and new valuable business models when they are established.

My answer to the above mentioned pain, is therefore an external service, which researches developing business models in start-up hot spots around the globe. Customers gain as they acquire real-life data from relevant destinations, without the heavy investment of employing an own research team. This allows possible clients to make cheaper acquisitions. Valuable start-ups will be discovered in an early stage in which only little growth has taken place. Companies can simply purchase the idea or copy it. Developing the start up with the already pre-existing funds will become cheaper, than acquiring the start-up when it has already grown and other competitors have shown interest to obtain its technology.

Products and services

The key activity of this business is the visit of events in the start-up scene globally. With the goal of identifying valuable additions to the customer company's portfolio, I wish to facilitate a conversation between established companies and uprising innovative start-ups. The research results are provided by local entrepreneurs, which gather information from joining start-up events, tech-meetups and business plan competitions around the world. To start with, and to enlarge my network of such entrepreneurs, I will personally travel to, and live in the top entrepreneurial hot-spots around the world, as they can be seen in the graphic below. In most cases each start-up hot-spot predominantly supports start-ups of one specific business field. With first-hand information from these destinations I believe I can create much more valuable data than any desktop analysis can do. This data is sold.

Figure 6. Top 20 Start-Up Ecosytems (Intuit, 2014)

3.3 Key partnerships

To identify valuable tech-meetups, business plan competitions and start-up events the use of a few of digital tools can be helpful. During my stay in California I met Ernie Pang. He introduced me to several online platforms which allow the user to network beyond the traditional forms. These new platforms allow us to personally meet with people of the same interests. An online dating site does nothing but connecting singles, these platforms follow the same goal. They allow people with the same interest and goals to come together, to plan and discuss common interests. Most of the people using these platforms have the common interest of developing their own start up. I will now introduce two of those networks and explain how they work and can be used.

“Meetup.com” is the world’s largest network of local communities and groups. There are over 9000 Meetups held every day, connecting people face to face from the most different branches. In California it was mainly used to bring tech enthusiasts and programmers together, to brainstorm and work on new projects. In the Stuttgart area there are as well plenty of events for digital developers, hackers or people working in the 4.0 industry. The most common meetup events focus on bringing entrepreneurs or business people together. Almost every second event posted, is somewhat related to the term start-up.

These communities are welcoming new members every day, to share experiences and commonly work on new projects.

> *"The mission of meetups.com is to revitalize local community and help people around the world self-organize. Meetup believes that people can change their personal world, or the whole world, by organizing themselves into groups that are powerful enough to make a difference."* (meetup.com, 2015)

Meetup is already used among 24 Million members, in 219,827 meet up groups, in 180 countries around the world. Before living in Los Angeles I had never heard of this page, that apparently every Californian entrepreneur was using. There were several events and meetups every day. Often the publicist offered free drinks or food, in order to get people interested in joining. The agenda of the meetings usually included open discussions and entrepreneurs presenting their businesses. Just like crowdfunding this tool can be used to bring people in the industry together in an early stage and allow them to get valuable feedback. (meetup.com, 2015)

"Eventbrite.com" on the other hand is an event management tool. Again the user can see a variety of different events taking place in his area. The tickets for these events can then be purchased via the site, many free events are offered as well. The difference between meetups and Eventbrite is that Eventbrite is showing by far more public events which might be making publicity in other forms as well. Nevertheless, it is great a great tool to get an overview of what public events are going on and where possible new contacts can be made. On Eventbrite many start-up and tech events are hosted by established companies. They desire to create a discussion about the future of their industry, and therefore try to listen to the ideas of outsiders.
An environment that everybody is joining voluntarily, prejudice and stuck up communication is rare. In my opinion such events are an amazing chance to network and grow one's own personal network.

Business plan competitions are another forum to network. They do not only have the benefit of a possible prize money but they offer a great platform to network with people from the industry and the chance to find a suitable partner to attend ones' start-up. The entrepreneurs from "8-grad.net" met their investors at such an event. Often startups move from a local competition up to a state wide, which if they win qualifies for the participation in a nationwide competition. Obviously the bigger the competition, the more interesting is the audience, and the more relevant business people are invited. Again digital tools can

ease the search for such events in the area around. These two pages are just an example: http://www.baystartup.de/ or http://www.bizplancompetitions.com/calendar/ .

Key partners of the business will therefore be people like Ernie Pang, entrepreneurs with a vision, who visit such events in order to develop their own start-up. My goal is to link such ambitious entrepreneurs with established enterprises.

3.4 Key activities

Don't innovate, imitate!

"Good artist copy, great artists steel" (Picasso).

When a product enters a market it doesn't mean it can hold its market position. It only validates there are possible customers for such item or service. The development of a new product is cost extensive and often doesn't sell right after its introduction because the product is still unknown to the consumer. This is a chance for the imitator to copy and erase everything the customer doesn't like in the market leaders' product. The imitator has to find out which effort the market leader doesn't take and based on that he should develop a product which finds correspondence with a wide range of people. Nevertheless, an imitation has to supply the customer with more value than the existing. Just introducing the same or a slightly modified version won't do the trick. Only if the absolute benefit of the imitation is clearly visible, the product can succeed. Sometimes pioneers can secure a good market position, but often they are as well the ones who make the first mistakes and then make room for others. (Moules, 2012)

This model shows, that companies themselves don't need to invest much in research and development. If they are smart, they can search for innovations anywhere else in the world and then simply copy or purchase the idea.

I want to be the man searching for those innovations around the world. I find great joy in travelling the world and making friends in the places I visit. Already today I can access a large network of people I can trust. Travelling to the top start-up destinations in the world, will allow me to network within a variety of start-up and digital business events. I plan to continue what I started during my stay California, to make friendships with entrepreneurs, who regularly visit start-up events. I wish to encourage them to keep me informed about interesting developments in the scene.

The key activities of this business will therefore be, once this network has been established, to coordinate partners to join relevant events and meetups in their location. The challenge is to identify where entrepreneurs meet, encourage networking and guide them to join the most promising events. All the information which is now gathered needs to be analyzed for qualitative and branch specific information. On behalf of this analysis, the most promising candidates can then be picked, and presented to a client.
For a sustainable growth, an enlargement of this network will be required. Finally, this service can be used as a platform to share knowledge with entrepreneurs in the same position and employed managers worldwide.

To get started, sales will play the biggest role. Possible clients exist in branches where the business's core value could reach its customer more effectively. Targeted can be any established company in Finland, Germany, France or USA, which are the countries I have personal contact to sales people.

3.5 Channels & marketing

A sales channel discusses how a company's product reaches its customer and how the customer gets to know a company's products. The value propositions have explained a company is not selling a product anymore, but rather tools which help a customer to complete a job. This will resolve in created value. The sales channels segment does therefore not explain how product A reaches customer B, but rather how certain values are delivered.

When looking at how customers interact with companies we can identify five different phases. Through commercials, friends or a physical need a customer identifies he is not perfectly happy with his situation and wishes to improve it, we talk about a problem recognition. He therefore researches possible solutions. In this stage he will get in first contact with the facade of a store, a company's website, online videos, samples or trial versions.
The customer has to now evaluate given opportunities and rank positive and negative attributes; where can it be accessed, its price, quality, reputation and many more.
Finally, a buying decision is made, here the delivery of the product plays the major role; what is the best product among the competition and what needs to be done to get it.
After the purchase the customer now evaluates if the bought product or service has fulfilled his need. He can either be disappointed, his expectation could have been met, or

exceled. Companies have several ways to now deal or not deal with the customers' post purchase behaviour. (Hoidas, 2015)

Sales channels are currently undergoing fundamental changes. The digital revolution is driving new methods of how companies interact with their customers. Disruptive innovation in this field is nothing new. When modern department stores were introduced about half a century ago they rendered small retailers obsolete. Later with the rise of the automobile, big malls and discount chains on the city's outskirts became competitors to the old fashioned city based department store.
Today new digital retail channels are the gamer changer. They drive a range of new possibilities how customers compare prices, order, try and finally purchase products. The advantages of digital retailing for the customer are enormous, its simply easier and cheaper. The digitalisation of sales on the other hand delivers companies with a new load of information on customer purchasing behaviour and allows a whole new potential for after sales programs. (Rigby, 2011)

New channels

For recent insights in what channels companies use to analyse, and improve their visibility I interviewed Allen Perumal. He runs the web development firm; "creativewebsystems.com". He introduces his clients to topics such as search engine optimisation, heat maps, and retargeting methods, which help to improve their web presence. For the marketing of his own company in the start-up phase, personal recommendations were essential, now he is as well investing in paid marketing tools.
He stresses the importance for search engine optimisation (SEO). It describes the process of getting traffic in the search results of search engines, such as Google or Bing. Every search engine lists its finding by using an algorithm. From all the websites in the world it tries to find the most relevant information with the closest match to searched term. Depending on a websites trustworthiness, reputation and many more factors the search engine decides which result is listed at which rank. The goal of SEO is to get a high ranking in such a search, without paid adds. This is mainly achieved by qualitative information on the website, frequent updates, and strong focus on the pieces of information search engines especially look for when listing results. For a complex and competent support Allen is using the service of raven-tools.com. This company analyses a websites SEO issues and helps to create digital marketing reports.

Another tool Allen uses to improve his online presence is heat mapping. This allows him to see exactly how visitors engage with his webpage. The program crazyegg.com tracks the movement of the visitors' curser, saves clicks and counts how long a visitor scrolls

down before leaving the page. These user interactions are then captured and shown in real time on Allen's computer. With heat mapping, companies can evaluate which content visitors are especially interested in, and if certain fields or links remain untouched. It helps to understand a visitors' navigation process through a web page and can help to determine where to place relevant information. It's like eye tracking without the immense costs.

On the web today most advertisements are paid per click. Which means for each time a visitor clicks on a banner the company who posted it, pays the domain where the add appears. The companies pay for each click. With retargeted advertisement, companies increase the chance of getting these clicks. Retargeting is an amazing advertisement channel, because it shows only adds which are relevant for the user. When I look for flights, right after my entire Facebook page and other websites are full of advertisement for that exact flight. Retargeting pages like adroll.com and retargeter.com put anonymous cookies on a webpage. When the user then visits another page the retargeted adds from that previously viewed webpage appear again. This is a useful tool as only few of a webpage users interact on the first visit. Retargeting therefore increases the chances of being more than just a one click wonder.

Just like Allen I hope to grow this network via personal recommendations. The above mentioned tools are on the one hand examples of how to create a proper web presence, once a company is established, but as well how the industry of marketing on the web will be influenced. The importance of such web development tools will grow simultaneously to the growth of digital businesses in general. All companies above are recently established tech start-ups. I believe many new businesses, with new innovative ideas in this branch will evolve. It can be for a company's benefit, if they learn about such new possibilities to interact on the web as early as possible. Companies can, if they learn about such tools earlier than others, use this knowledge for their own advantage. My business concept has the goal of identifying such companies in an early stage, to present their business model and products to established companies.

3.6 Cost structure

When I told Axel Guender I want to established my own business, he reminded me, turning a revolutionary business idea into a functioning and yielding company is a critical step, finding an investor by showing a simple paper based business plan is pretty much impos-

sible. Established and plausible revenue streams help a bank to estimate the actual yielding power of a newly established business. For companies with traditional business models such as hair dressers or restaurants it is easier to get capital from a bank. A bank wants to clearly see how high the returns of the investment can be and therefore require 100% comprehensible and transparent business plans.
Start-ups planning to disrupt existing business models have little chances to get state funding in Germany, because there is simply no validation the company can manage to actually pursue its plans. Start-ups introducing a new product into a market of high uncertainty have to research other funding possibilities.

Investors are faced with plenty of business ideas every day, 80 percent don't even go into a closer selection. Assuring an investor, a business idea is worth investing in, requires more than a smart business plan. Main aspects decide whether a start-up is worth to invest in such as; how big the market for the product can be, and what kind of growth potential does it have. To evaluate these aspects an entrepreneur should ideally be able to present a prototype or the first version of a functioning product, which already shows which value its can possibly generate for its customer.

There are two kinds of investors. The typical financial investor searches for people that have the power and ambition to turn a good idea into a business. This investor makes his living by pushing up a business to the highest selling price and then sell his shares. What happens after the sale doesn't matter because his interest is solely focused on a fast short term growth. Many companies go bankrupt after certain sales margins have been reached and the investors jumps off. Often a company has to as well find a new investor to pay off the debt to a previous one. Companies in need of such investment must therefore show exponential growth to stay alive. Fewer are the investors willing to support the long term growth of a business. The goal of such an investor, is to create a broad portfolio of enterprises, which later can interact and be controlled. Both types of investors are hard to find.

Instead of a growth that is solely focusing on achieving a high sales price, I can see there is a critical need for start-ups to find investors which try to help the natural growth of a business. Therefore, I want to help introducing established companies as investors for start-ups. The trade is simple: Money for Innovation, and I'll take my commission.

3.7 Key resources

Successful entrepreneurs are often able to combine and rearrange their pre-existing assets to build cheap prototypes. How the rearrangement of my already existing assets can benefit my business idea I try to illustrate with the help Demokrits nuclear theory:

The entire nature is composed of small particles, atoms. And anything that appears new to us like a new grown flower or a new-born child is not actually made of new atoms but is rather a recombination of particles that have been existing forever. What finally appears new to us is the unique way these particles were combined. This theory can be transferred to understand the process of innovation. Only few innovations are something entirely new, a good innovation is a useful recombination of already existing components. (Gassman & Friesike, 2012)

Viewing innovation from this perspective helps to explain, entrepreneurs don't have to stress coming up with a completely new idea but rather rearrange this existing components to create a new invention.

I enjoy talking to people that are not like me. People of minorities, different cultural backgrounds, heritage and religion. Many of such conversations have led me to the conclusion: people from other backgrounds have other ways of viewing the world, which my own limited thinking could never imagine. Obviously with such different views, different ideas and innovations emerge.
Furthermore, I have relevant communicational skills, I speak a bunch of languages and am willing to learn more.
Growing up in Germany I got familiarized with the business etiquette of the western world which I can easily adapt to. These assets put together form a person that can easily create a contact between established enterprises and emerging start-ups around the world, and that's what I intend to do.

3.8 Revenue streams

This system is selling its services to companies with traditional business models. In order to compensate my network for joining meetups and events on a regular basis monthly payments or a prescription to the service needs to be sold. How high the fee for this prescription will be, will depend on the company's size and the amount of information they desire to obtain. Area specific payments could be considered too.

Instead of a prescription fee, a commissioning fee could work as well. If I manage to establish a valuable conversation between start-up and established business such fee could be charged. Which revenue stream is actually useful can be discussed once the business has been tested with first possible customers.

3.9 Customer relationships

There are several forms of customer relationship as they exist today.
Personal assistance allows the transfer or information to the customer through a company representative, who either sells or provides the service. The concept of personal assistance requires a human being to represent the customer in front of the customer. Personal assistance can go further when one special sales representative is assigned to a certain customer. Which means throughout the whole transaction of goods or services this representative remains the face for the company and is in charge to respond and to assist the customer. In a self-service based company there is no human interaction required. Any necessary material or information for the transaction is facilitated by the company in advance and it is the customer who only needs to access it. Automated services take the self-service to another level, here a program recognizes the customers profile and shapes his shopping experience individually to the preferences in his profile. Amazon, iTunes or Facebook with its customized advertisement are an example of this new form of customer relationship. Many companies establish as well communities or clubs in which customers and company representatives discuss product relevant issues and answer question. A company can facilitate this tool to let the customers communicate with each other but as well solve problems or answer questions in public. (Whittaker, 2013)

For this business model I wish to personally assist and inform my clients with the information I will gather. As a consulting service on innovation, it is the only possible customer relationship I can imagine for the interaction with my customers.

The core value of this business is the communication I wish to have with established businesses and with start-ups. I therefore strongly believe in the importance of understanding effective communicational tools. When communicating, we talk about the transfer of information in a verbal or written way. I want to know explain how to successfully perform this transfer of information.

Conversations follow a certain scheme. A sender has a thought in his mind, an idea or feeling he wishes to express. When forming this thought he has to find suitable words to package the message. If the right words aren’t found the information transfer is already

endangered. Next the thought needs to be expressed, it often happens that the message we had in our mind doesn't leave our mouth as intended, again we create room for misunderstandings. When the message then reaches the receiver he has to encrypt and interpret it. The goal of an effective conversation should therefore be that the sender's thoughts reach the receivers understanding unchanged. Ideally the receiver interprets the message in the same way as the sender.
The key challenge is to assure that the receiver unpacks our message in the way we planned. Four general ways of encryption have been identified. Each interpretation tool causes a unique reaction. (Maiwald & Schick, 2001)

The first encryption tool helps us focus solely on the delivered facts. We understand the message very literal und overhear possible hidden intensions of the sender such as sarcasm. In the message. "Your idea is stupid" we would understand, the sender wants to let me know, my business idea is stupid and nobody wants to hear about it.
Same message can be understood differently. Every message unveils a little about our own opinions, feelings an attitude. Certain people have the strength to explicitly hear a speaker's intentions behind a message. In this case we could understand that especially this sender doesn't like the idea or is in general not the type of person to confirm with newly introduced ideas. He is not an "early adaptor".
The action driven interpretation tool causes people to react to a senders' message. This tool makes us believe the message was send to cause our own reaction. In this example an action driven interpretation would make us to improve the idea until it is not stupid anymore. (Maiwald & Schick, 2001)

The last form of interpretation focuses on the contact and relationships between sender and receiver. People strongly using this tool are often regarded as sensible. In this example we would understand the message as a feedback to ones' relationship with the sender; I would understand that the sender wants to hurt me personally by telling me his opinion of my idea.
Each encryption tool can be developed stronger or weaker in each individual. Its use depends as well very much on the sound and form of transmission.
Furthermore, we need to understand that we communicate, even if we don't intend to. Communication does not only include the words we spell out but as well our body language and the moments in which we keep silence. Proper communication needs two reactors on the same level. The key to a successful conversation is honesty and transparency, but as well the awareness that our partner might interpret our message in a different way than we do. Giving feedback is therefore beneficial for both parties to diminish the chances of misunderstanding. (Maiwald & Schick, 2001)

These communicational tools can be helpful when facilitating the conversation between start-ups and established businesses. They can as well help me to learn how to effectively communicate, when establishing new customer relationships in start-up events.

4 Conclusion:

4.1 Reflection on Business idea, adjustments and further development

I confronted several employees, working in my target customer segment, with the business concept. I am now taking a variety of small jobs and internships with established enterprises, to get a footstep into their company and to later on, receive feedback on the business model, from employees in relevant positions. Current suspects are “Mann and Hummel”, “Denns bio markets”,” Lidl”, “Bosch” and “Tom tailor”.

Feedback from Axel Guender, the investor at the L-bank, advised me to keep an eye open for competition. He agrees with my assumption that digital businesses do endanger traditional business models. With new technologies this ongoing change is now not happening continuously but excursive. He confirms with an example that indeed branch strangers and start-ups can become competitors for traditional businesses and its worth to stick with the idea and develop it further.

I am convinced to stick to the business idea and develop it further. I start now to introduce more and more people to the concept and I am hoping to partner up, or start a trial project with one of the above mentioned companies. Such project could help to identify; how much valuable information I can actually acquire when visiting the start-up events.

Challenges this business will face during its establishment will be to convince clients to use this external service in addition to researching new start-ups on the internet, or hold start-up events by themselves.

I experience people to be much more talkative and open-minded in an environment they join voluntarily. Overseas sales calls, emails or skype discussions with foreign companies won’t have the same effect, as a good and vital personal conversation with a company representative.
The concern, companies might think it is enough to search for innovation on the internet can therefore easily be set aside. The core value of this business, is the human interaction with entrepreneurs in their home environment, and the possibility to be an active member in the establishment of their start-up.
Companies participating in, or organizing start-up competitions themselves think futuristic. I see multinational corporations like Mercedes Benz, Porsche, Microsoft and Google doing so. They have the time and money to create enough publicity to attract many promising

start-ups for their events. Obviously such programs are not only cost extensive and time consuming but as well limited to certain time limits and demographics. For smaller enterprises I think it is therefore more useful to search for innovative start-ups with the business model I present. This service is not fixed to a certain time limit, country or continent nor does it require expensive marketing.

The main weakness of this business model is that an exact customer segment has not been focused on. In order to identify which start-ups can actually be helpful for my customer I will need to have a profound knowledge of his business. This visionary role requires expert knowledge in the field in which I which to serve my clients. Without such expertise, I might, even if I am faced with innovative start-ups, not recognize them as such. In addition to that, if the business model works, how will I be able to serve companies from different branches with valuable and reliable information?

In the early stage of this company it is crucial to focus on a main customer segment. I have to find a client, willing to prepare himself for possible structural changes, and interested in searching for tools to bring its values closer to his customers. To start with, I have two main suspects. The first is Denns bio markets, a supermarket chain for organic food. I took a part time job with the company and will suggest my service to its research and development department. I picked Denns supermarket due to its futuristic approach. People are becoming more aware of their bodies and their nutrition. Eating organic or being vegetarian is an emerging trend. This structural change caused for example the establishment of the start-up “hello-fresh”, an online service which makes home deliveries of fresh and organic vegetables. I believe more similar start-ups will appear and Denns bio market has an interest in being posted about most recent developments in this sector. I therefore assume they might possibly be interested in my service. The other main suspect is “Mann and Hummel”, the traditional German company, with its headquarters in my hometown, produces filter elements for the car industry. I took an internship with the company because it is especially priding itself for strong innovation. I want to use that for my own benefit and confront the research and development department with a business model which could allow even more innovation. During my short term employment at these companies I will acquire as much expertise in those two branches as possible.

Finally, the big risk of establishing this business model is that no innovative ideas will be found in the events I wish to join. In such case it will be difficult to remain or even build trust among customers.

From my experience in visiting such events during my stay in California I am convinced this won't happen.
Gaining trust with possible customers is a critical process, I chose to take internships and part time jobs with the companies because I believe it's a way of proving my reliability and qualities. With this proof and the experience, I dare to confront them with the business model.

4.2 Learning process and outcomes

When starting to write this paper, I took some books related to innovation, creativity and start-ups and reformulated the information I got from them. Yet I did not realize how this thesis would turn into much more of a learning journey, instead of the completion of a paper. In this stage I was convinced to create a business plan for a company I wished to start with my cousin. We wanted to build, and sell longboards. I realized my first form of the paper had many defaults and wasted a lot of time in reformulating and improving paragraphs which later became completely irrelevant and had to be erased.

Along the process I realized this paper was working just like a start-up. It was a product in a prototyping phase which needed to be improved over and over again. While writing this paper I had to find out what are my customers' needs and what does the grader value in a piece of work about start-ups. From the longboard I moved onwards to the idea of building a very complex mountain surfboard. Finally, when experiencing how hard the prototyping process became I decided to narrow It down, to use cheaper and simpler material. "Let's make it as easy as possible, I'm fed up of all these details", I remember me thinking. I came to the conclusion, anything that enables to core value of the board; to surf on powder snow would be just fine. I decided not to shape a mountain surfboard from polystyrene, but to build it from wood, the same way I built my longboards.

After realizing one is not just selling a board but rather an experience, I changed the main activity of the business, to become the organization of snow surf trips. With this model I wished to familiarize possible customers with the boards and start a natural growth. Furthermore, I noticed now that I already had written down a lot of information I was reluctant to delete it again. My biggest problem was; I was trying to make the best of the resources I already had. Instead I should have much rather focused on creating new data and connections.

The final topic for the paper finally came up when I once again changed my business idea completely. While analysing how more and more start-ups disrupt functioning business

models and were trying to design a disruptive business model, I realized there is a completely different need existing. I looked at how many innovative ideas constantly evolve and how old industries are dying because they cannot adapt fast enough. I saw that traditional business models where disrupted by competition from completely different fields. I assumed traditional businesses would have the need to be warned if start-ups are about to disrupt their field. I thought, there are early warning systems for tsunami, hurricanes and earth quakes but none for disruptive innovation. I therefore decided to focus my thesis now on a tool that would help big firms to protect themselves against disruptive innovation.

After finally changing the entire structure of the thesis, to not reflect my own learning process anymore but to actually become understandable for the reader, I learned to view the idea, more objectively.
This paper helped me to learn a lot about start-ups, innovation and lean business models but as well a lot about myself. I got much better in working independently, which is crucial for starting up an own company. I also realized talking about ideas is fun, but the hardest part is the actually transformation from idea to an applicable model in real life. The greatest outcome for this paper, is that I have now created a business model which I am proud to present to possible clients.

4.3 Reliability

The theoretical foundations of this paper build on recent books and online-, newspaper articles of reliable sources. The paper is therefore as reliable as these sources allow. I often included data from newspapers, which appeared the same day I was writing the paper. Whether all of these very recent articles are 100 percent reliable is questionable. Often I tried to support a theory or an assumption with an example of a start-up. It is not certain how these start-ups will develop in the future, and if some of the practices I praise them for, might actually harm them. Specifically, information on how the start-ups scene will develop in the future, and if digital start-ups will actually disrupt more traditional business models, has not been proven. This statement is rather an assumption from a variety of digital business entrepreneurs and myself. The theoretical framework of how start-ups get established, build leaner business models than traditional companies, and are therefore closer to their customers' is mainly build on two sources. Leaner and more visual business models, like introduced by Osterwalder and Ries, are not much more than a convenient way of structuring a classical business plan. Their theories perfectly fit into the ongoing

start-up boom. Today many people are inspired by courageous and young entrepreneurs, and desire to start their own company. Ries and Osterwalder have, in my opinion, created tools which make starting up a business easy and understandable for everyone. They made start-ups mainstream.

Whether their books and theories are more than a clever packaged business plan for the mainstream user, but are actually applicable, can be decided by the reader.

Most of the assumptions I have listed in this paper come from reliable and trustworthy sources.

The reliability of my interviews is actual, and reflects the opinions and experience of experts in their fields. I believe this paper could have turned out less positive if I would have interviewed more branch experts, with different opinions.

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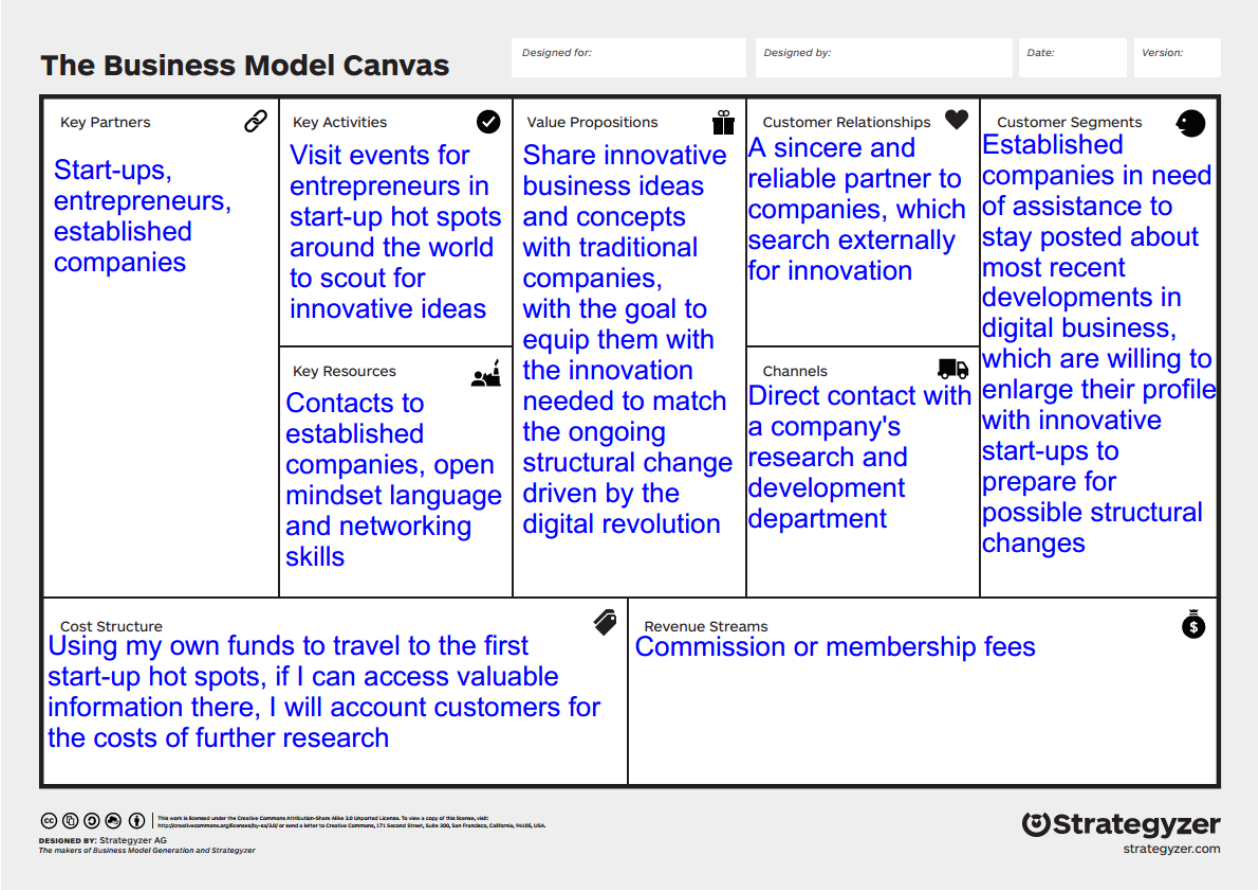
Appendices

Appendix 1. Business plan Canvas



The Business Model Canvas

Designed for: | Designed by: | Date: | Version:

Key Partners
Start-ups, entrepreneurs, established companies

Key Activities
Visit events for entrepreneurs in start-up hot spots around the world to scout for innovative ideas

Key Resources
Contacts to established companies, open mindset language and networking skills

Value Propositions
Share innovative business ideas and concepts with traditional companies, with the goal to equip them with the innovation needed to match the ongoing structural change driven by the digital revolution

Customer Relationships
A sincere and reliable partner to companies, which search externally for innovation

Channels
Direct contact with a company's research and development department

Customer Segments
Established companies in need of assistance to stay posted about most recent developments in digital business, which are willing to enlarge their profile with innovative start-ups to prepare for possible structural changes

Cost Structure
Using my own funds to travel to the first start-up hot spots, if I can access valuable information there, I will account customers for the costs of further research

Revenue Streams
Commission or membership fees

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