


# Entrepreneurial Learning: The Three Dimensions of Business Model Iteration



Prof. Dr. Sven Ripsas  
Presentation at the E-Leader Conference,  
Berlin, June 4th 2012

## Agenda

- The Role of Business Plans in Startups
- Business Model Design and Entrepreneurial Planning
- Three Dimensions of Business Model Iteration

# Business Models are the Creation of Entrepreneurs

Ming-Hone Tsai/Yea-Huey Su (2011)



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## Agenda

- **The Role of Business Plans in Startups**
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- Three Dimensions of Business Model Iteration



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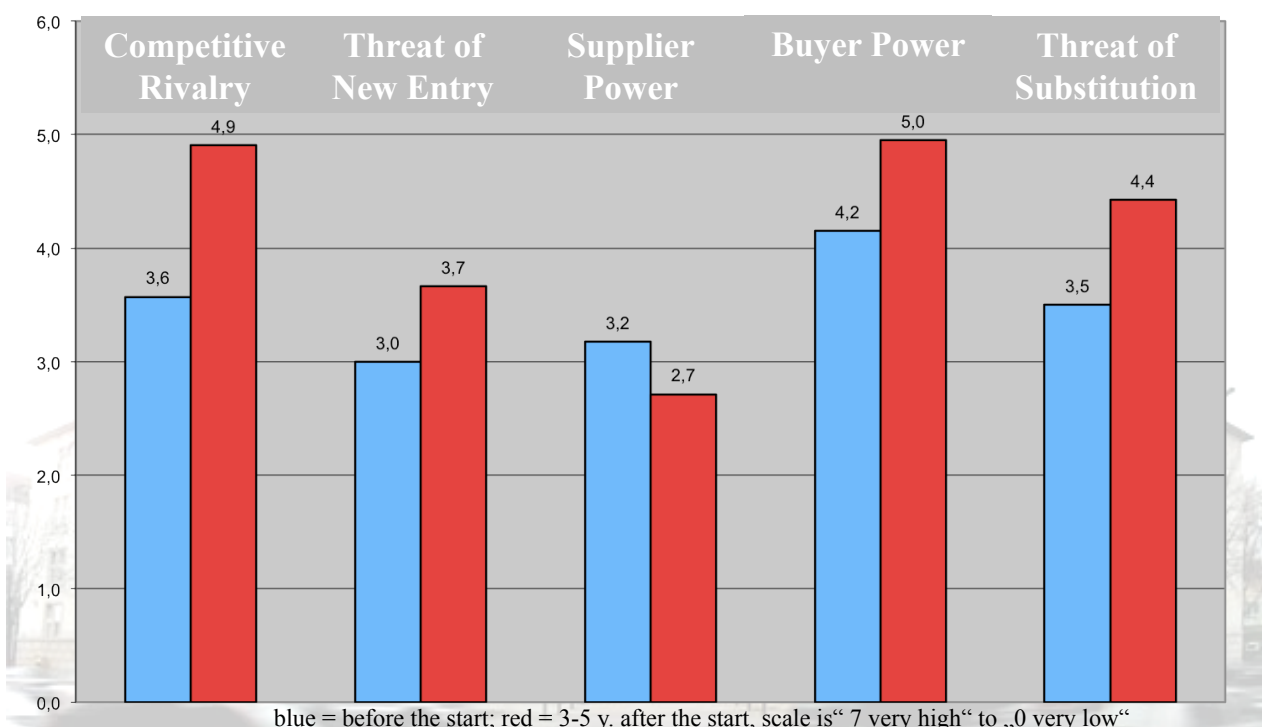
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# Empirical Results

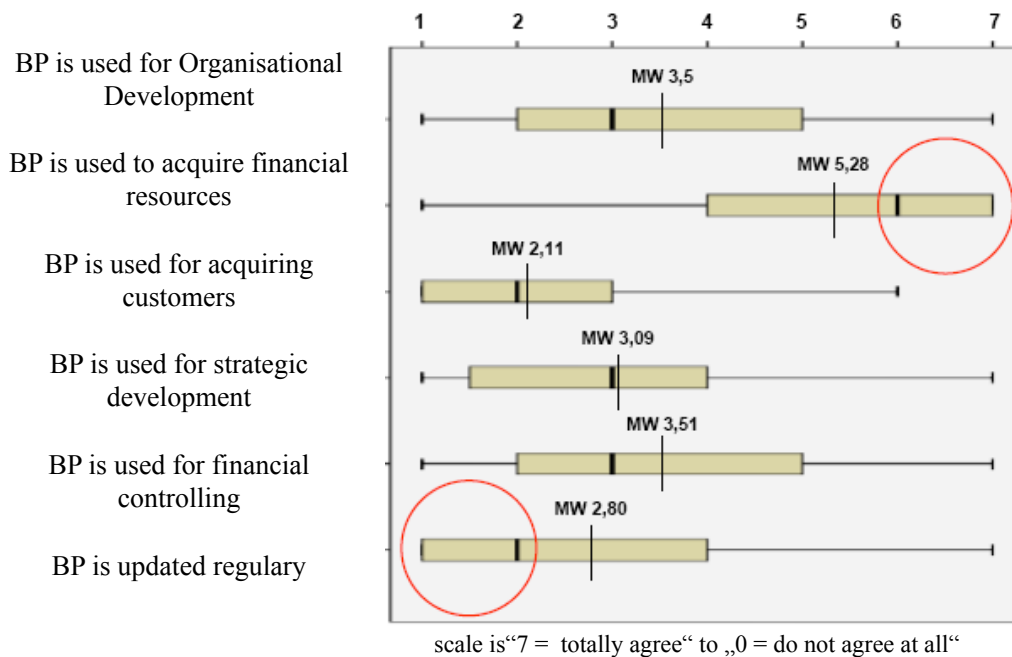
- Results of a survey of business plan competition winning teams (1996-2005)
- Results of an empirical survey of Berliner-Volksbank-backed Startups (2006-2008)



Writing a business plan does not automatically lead to a realistic expectation of the market forces (Ripsas/Zumholz/Kolata 2008)



# The Role of Business Plans (Ripsas/Zumholz 2011)



## Wrap-up Business Plan

- Current Format of business plan is investor oriented
- The process of planning is essential for startups but there is no predominant format that startups use to measure performance and develop the business model after the start

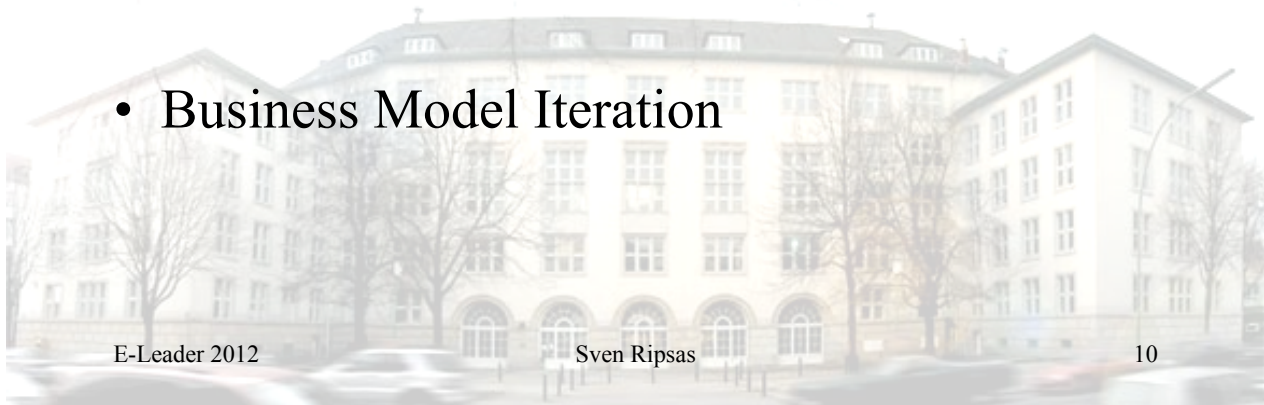
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- **Business Model Design and Entrepreneurial Planning**
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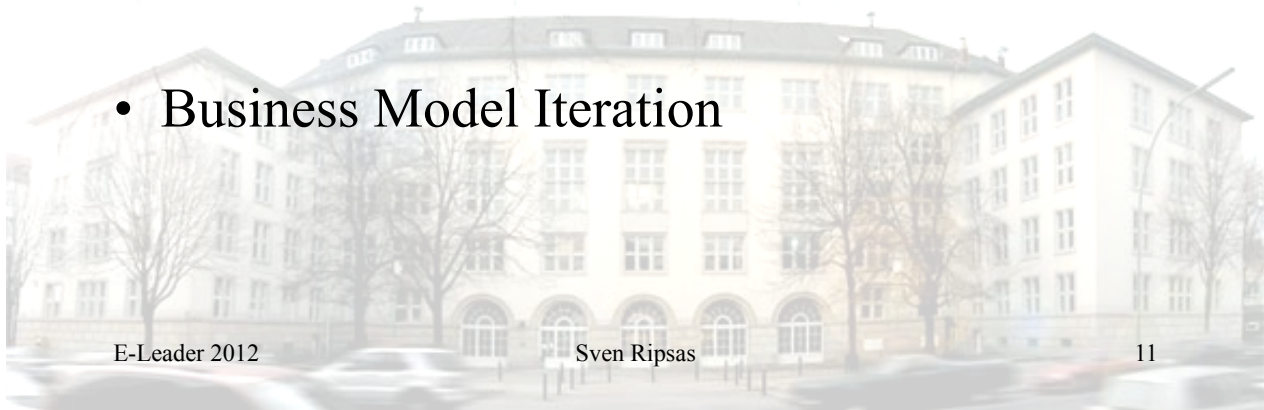
# Business Model Design and Entrepreneurial Planning

- Business Model Canvas
- From Product to Customer Development
- Business Model Iteration



# Business Model Design and Entrepreneurial Planning

- **Business Model Canvas**
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Osterwalder's Business  
Model Canvas:  
The intent is to create a  
common visual language  
for envisioning,  
visualizing and talking  
about business ventures,  
a springboard for  
innovation.



# The Value of Business Model Innovation

- „When a new model changes the economics of an industry and is difficult to replicate, it can by itself create a strong competitive advantage.“  
(Joan Magretta, 2002)
- “Technological Innovation gives a company a six-to-12 months advantages at most. A business model advantage can last years ...”  
(Donald Mitchel / Carol Coles, 2003)
- „Continuing business model development provides a way to outperform the competition.“ (Donald Mitchel / Carol Coles, 2003)

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# Business Model Design and Entrepreneurial Planning

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- **From Product to Customer Development**
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# The Danger of Product Orientation

- Steve Blank: Too many Startups still focus on „Product Development“
  - Concept/Seed,
  - Product Development
  - Alpha/Beta Test,
  - Launch / 1st Ship

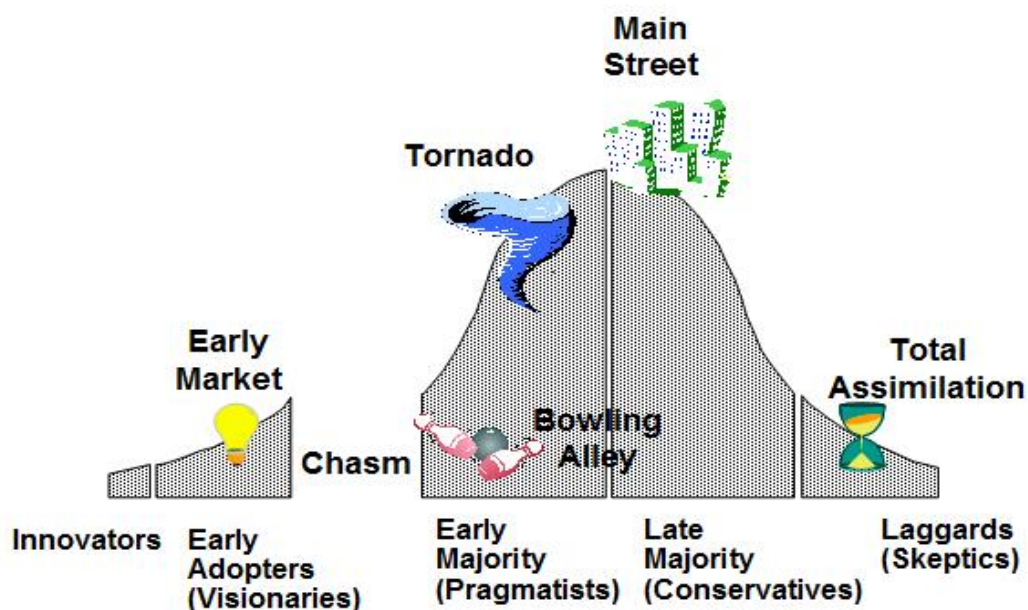


Entrepreneurship

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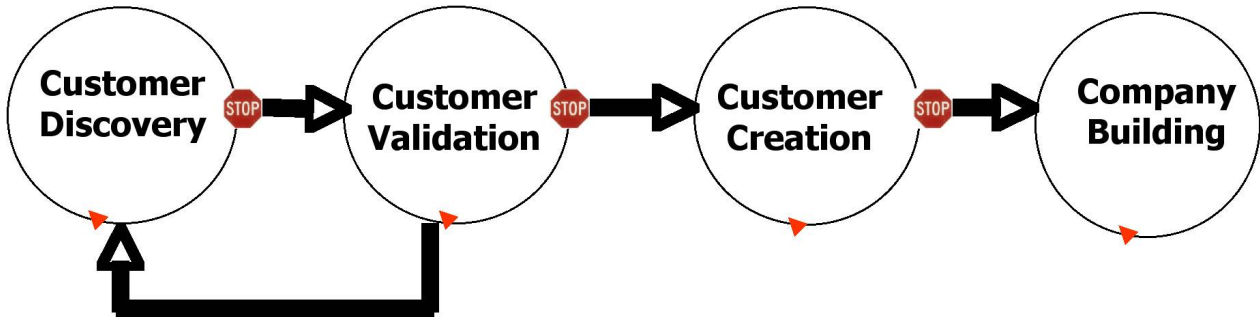
## The Chasm: Technology Adoption Life Cycle: Diagnose and adapt as markets evolve



Source: Moore (2002). *Crossing the Chasm*; Wiefels (2002). *The Chasm Companion*.



# Customer Development avoids the Chasm



nach Steven Blank

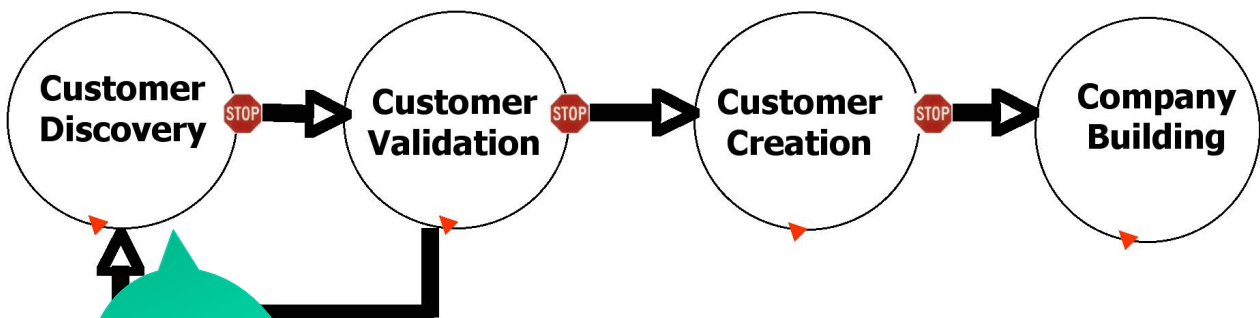


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# Customer Development



nach Steven Blank

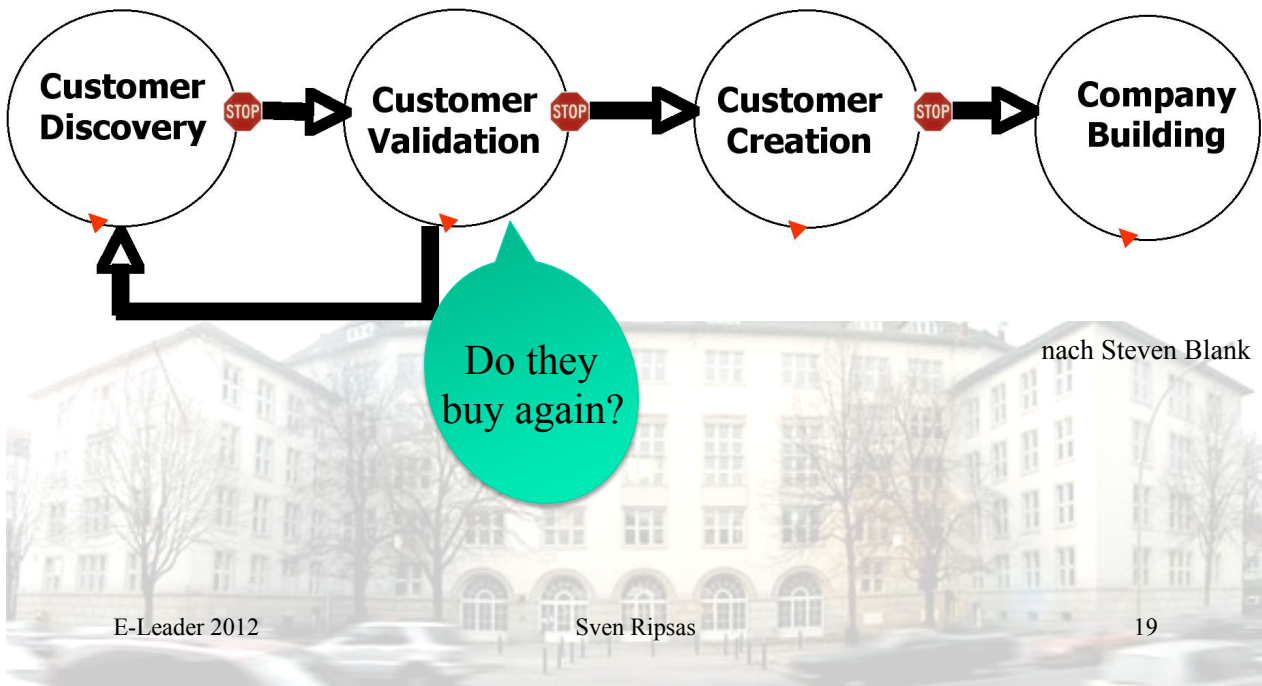


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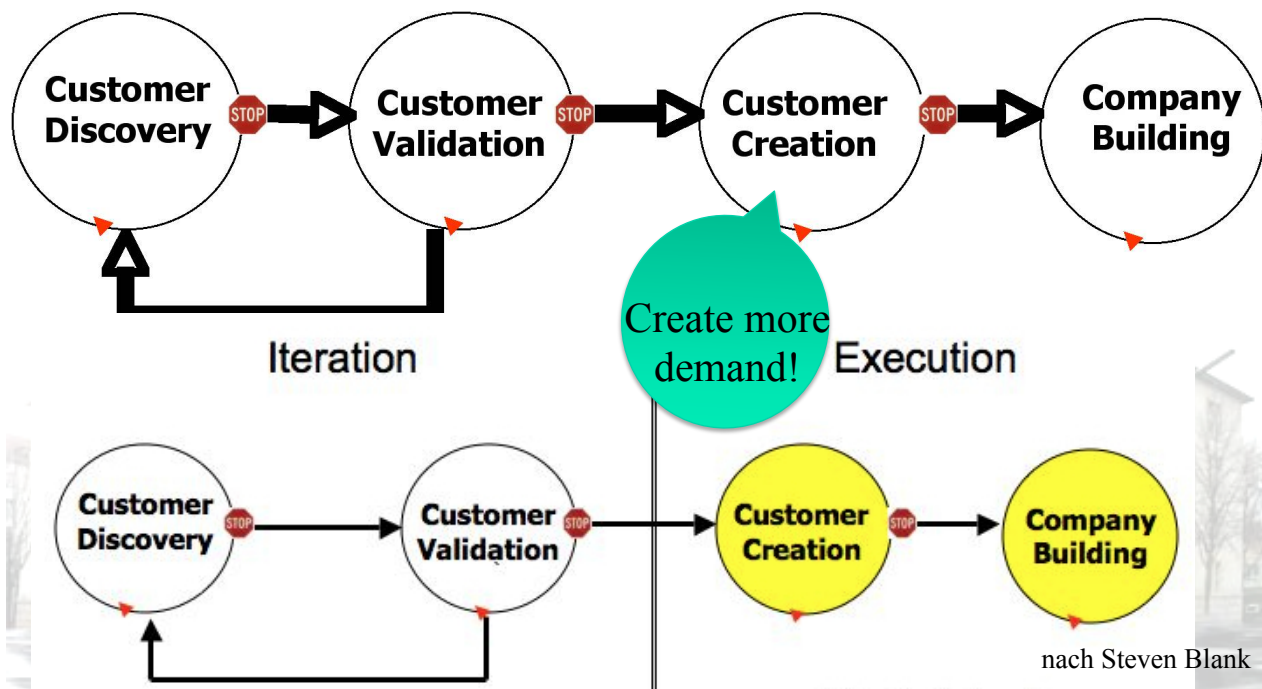
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# Customer Development



# Customer Development



# Business Model Design and Entrepreneurial Planning

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- **Business Model Iteration**

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## Entrepreneurship is a Discovery Process

- Discovery Driven Planning (McGrath / MacMillan 1995/2007)
- Getting-to-Plan-B Dashboard (Mullins/ Komisar 2009)
- Lean Startup (Günter Faltn 2008, Tim Ferris 2008, Eric Ries 2011)

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# Entrepreneurship is a Discovery Process

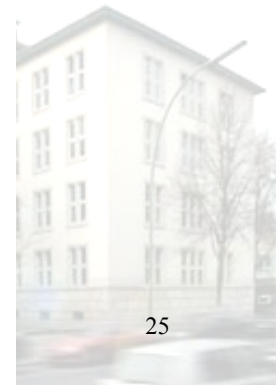
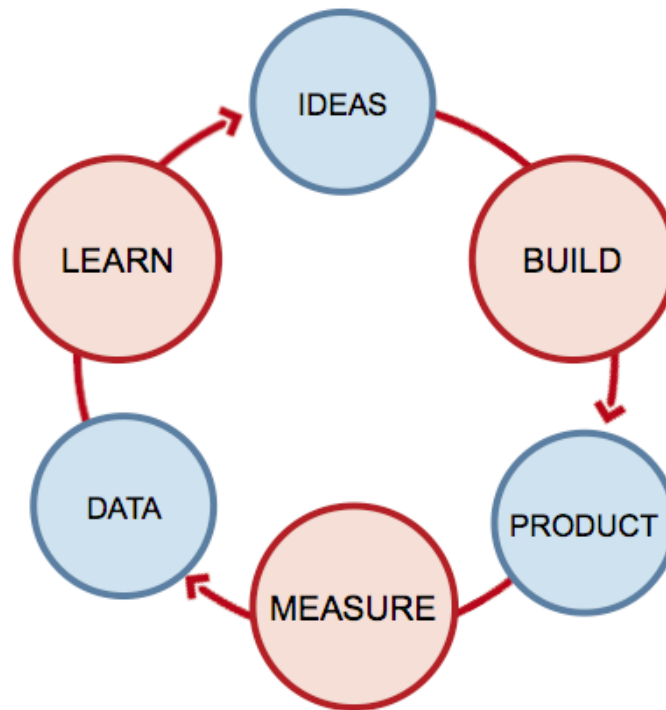
- Discovery Driven Planning (McGrath / MacMillan 1995/2007)
- Getting-to-Plan-B Dashboard (Mullins/ Komisar 2009)
- **Lean Startup (Günter Faltin 2008, Tim Ferris 2008, Eric Ries 2011)**

## Eric Ries

- The financials in the business plan include projections of how many customers the company expects to attract, how much it will spend, and how much revenue and profit that will lead to. It's an ideal that is usually far from where the startup is its early days.



# The Lean Startup Concept



## Wrap-up Business Model Design and Entrepreneurial Planning

- The more innovative the product or service and the less established the market the more likely it is that startup have to pivot (change) their business models
- Milestone development might save money but is slower than a big-bang-market-entry



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- **Three Dimensions of Business Model Iteration**



## Three Dimensions of Business Model Iteration

- Tracking Metrics
- Business Model Design
- Personal Competence



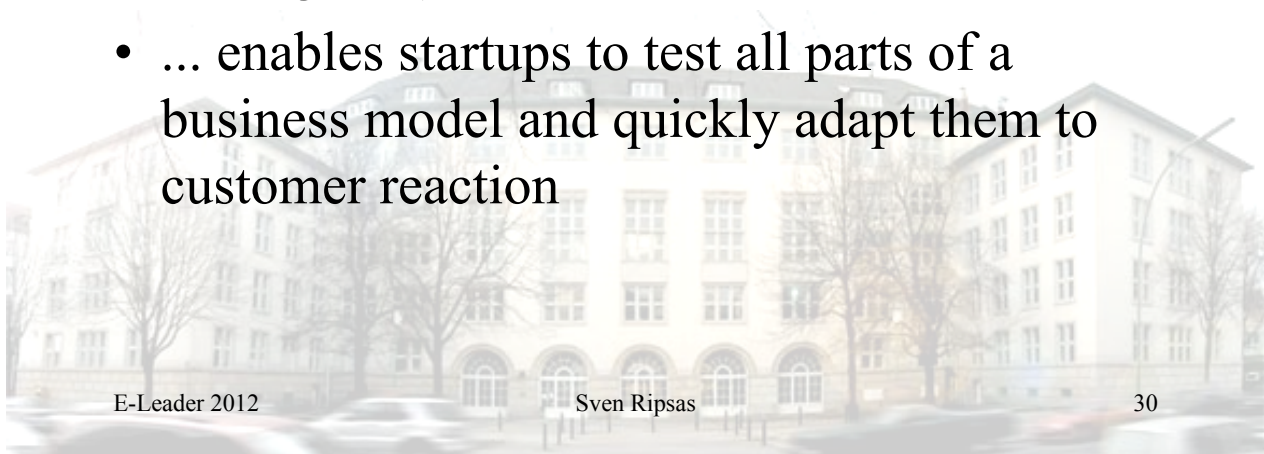
# Three Dimensions of Business Model Iteration

- Tracking Metrics
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## The Digital Economy

- ... creates many data that can be used to analyse the performance (business intelligence)
- ... enables startups to test all parts of a business model and quickly adapt them to customer reaction





# The Power of Dashboards

- „One tool that has emerged [...] in recent years is the information dashboard. The single-screen display of the most important information people need to do a job, presented in a way that allows them to monitor what’s going on in an instant, is a powerful new medium of communication.“

Stephan Few

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## What is Needed: A Business Model Dashboard





# Three Dimensions of Business Model Iteration

- Tracking Metrics
- **Business Model Design**
- Personal Competence

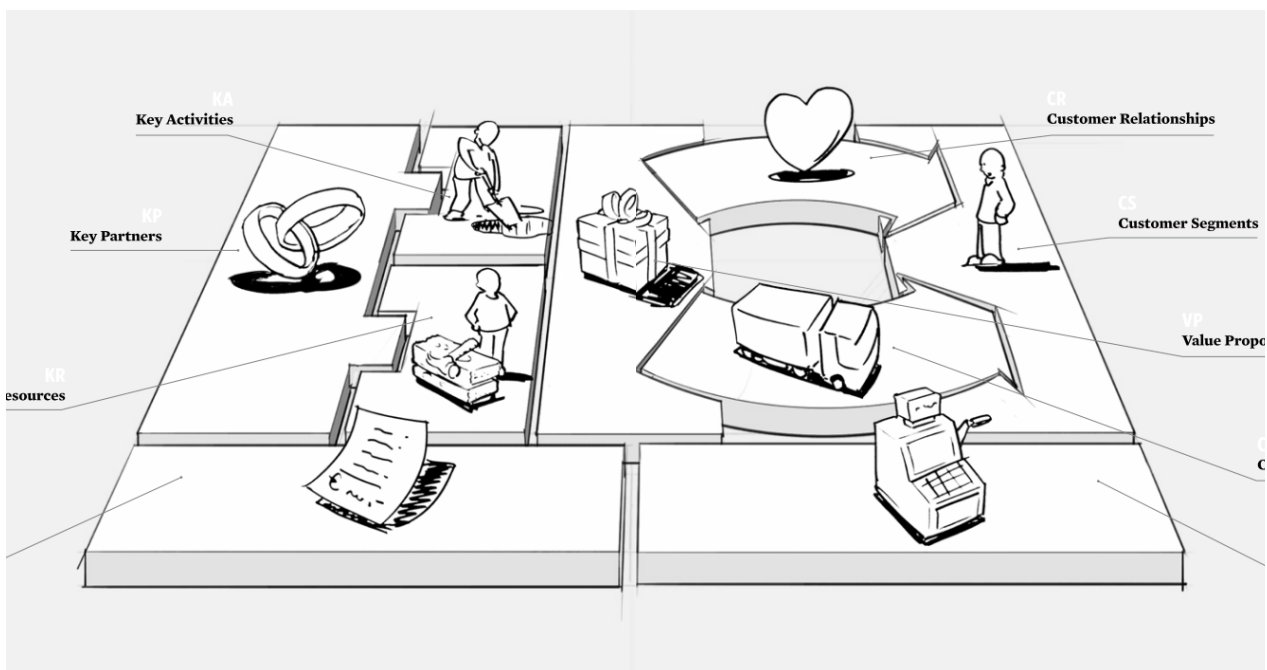


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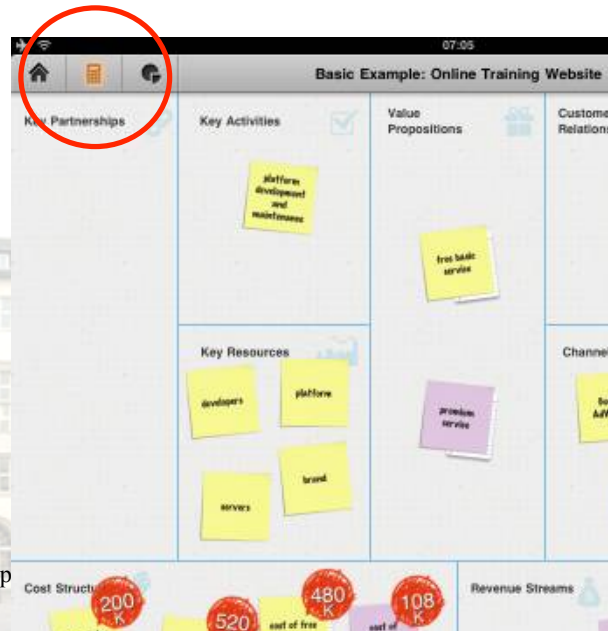
As more and more Startups use  
the Business Model Canvas ...





... it is worthwhile to build a data  
oriented backend

Osterwalder's  
BM Toolbox is a good  
first step



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## Business Model evolve

- Current Research indicates that many startups have to change their business models in the first year to succeed
- Startup Genome Project (2011): Startups that pivot once or twice times raise 2.5x more money, have 3.6x better user growth, and are 52% less likely to scale prematurely than startups that pivot more than 2 times or not at all.

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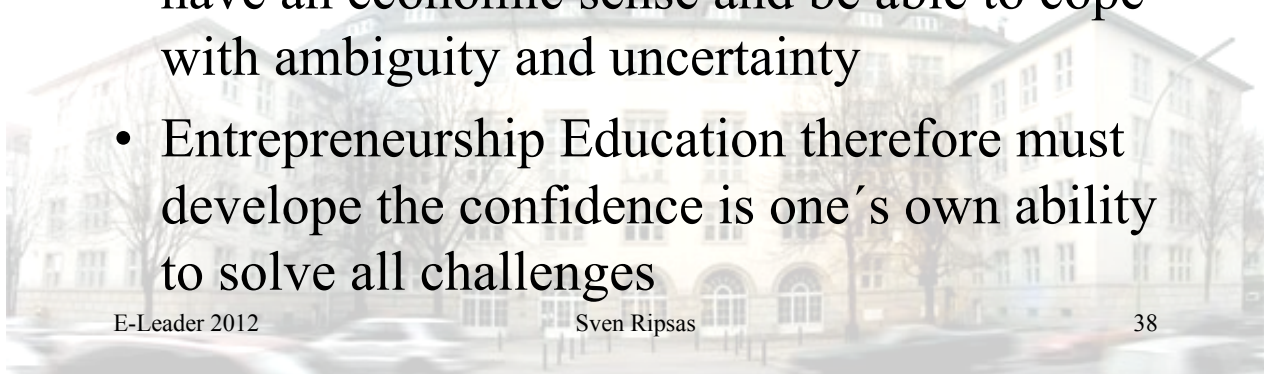
# Three Dimensions of Business Model Iteration

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## Personal Competence

- Entrepreneurship need empathic and open-minded people that are committed to bring new offerings to the market
- Entrepreneurs must know their numbers, have an economic sense and be able to cope with ambiguity and uncertainty
- Entrepreneurship Education therefore must develop the confidence in one's own ability to solve all challenges



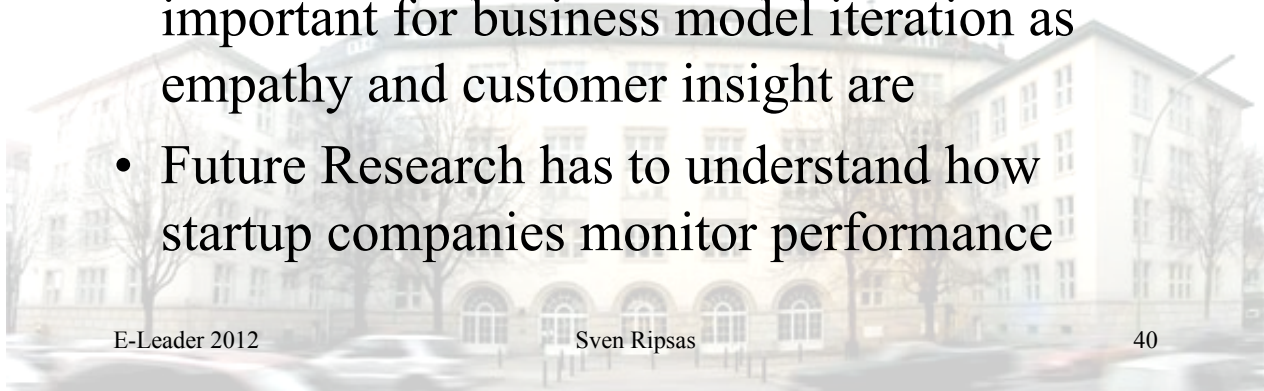
# Wrap-up



# Wrap-up

## Business Model Iteration

- Customer solutions and business models (not products) should be in the center of entrepreneurial thinking
- Data (the economics of the venture) are as important for business model iteration as empathy and customer insight are
- Future Research has to understand how startup companies monitor performance



# Entrepreneurial Learning: The Three Dimensions of Business Model Iteration

THANK YOU VERY MUCH  
FOR YOUR ATTENTION

Prof. Dr. Sven Ripsas

13. März 2012

