The Business Platform:
A tool to gauge and assist new ventures.

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Agenda

- A brief note on entrepreneurship
- Analysing young and emerging businesses
- The new “wave” of start-ups - what can we learn from them?
- What are the differences (contextual, entrepreneurial and technological) of starting and running a firm today compared to 30 years ago?
Definition of entrepreneurship

Entrepreneurship = identification, evaluation and exploitation of business opportunities

(Shane & Venkataraman, 2000)
Images of academic entrepreneurship

- Large scale science projects
- Contracted research
- Consulting
- Patenting & licensing
- Spin-off ventures
- External teaching & training
- Selling information

(Klofsten & Jones Evans, 2000)
Academic entrepreneurship & the Knowledge Triangle

Teaching

Research

External collaboration
The business platform (a perfect model...?!)

- easy to use
- useful for all kinds of ideas and business
- including business, people and environmental issues
- consider maturity and dynamic aspects of business development
The early growth and development process

Growth & Development

Pre-start

Start

Post-start

The early development stage

(Idea Platform)

(Business Platform)

(Time)

(Klofsten, 2010)
Key definitions

**Idea platform**

The idea is a foundation for starting a new venture, and there is an actor, which is prepared to invest resources, in the future development of the idea.

**Business platform**

A state of affairs whereby an enterprise has an input of business resources and is able to use these to promote firm survival and growth in reasonably normal business circumstances.
Factors influencing the early development process

Idea (M)
Product/service (H)
Market (H)
Organisation (M)
Competence (M)
Driving force & commitment (H)
Customer relations (H)
Other firm relations (M)

The are all dynamic and changes over time!
The early growth and development process

Idea Platform

Business Platform

Growth & Development

I, P/S, M, O, C, DC, CR, OR

Pre-start
Start
Post-start

The early development stage

(Klofsten, 2010)
Task

Did OptiSensor attain a business platform?
Further questions...

- Are there success factors that are more complicated to handle compared to others?
- Is compensation between success factors possible?
- In what way will the type of idea effect the early development process?
- How long does it take to attain a business platform?
- Are there other platforms than the Idea- and Business platforms?
The venture idea development process

Pre-commercialisation stage
(reaching the “Idea platform”)

Business Opportunity → New Venture Idea → Developed Idea → Business Idea

Commercialisation stage
(reaching the “Business Platform”)

(Klofsten, 2005)
Different types of ideas face different challenges and risks

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<th>Degree of abstraction</th>
<th>Anchoring</th>
<th>Needs-based idea</th>
<th>Technology-based idea</th>
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- Early market communication with potential customer – requires meeting clients as early as possible (medium to high business risk)
- Develop current customer relations and take care of existing customer base (low commercial risk)
- Develop the idea further in the home environment and establish contacts with potential partners and customers (high commercial risk)
- Establish strategic cooperation with partner company or development organization (medium to high commercial risk)

(Klofsten, 2010)
The new “wave” of start-ups

Currently, there is a window of opportunity in Europe for understanding fast-growing technology-based firms. In just a short span of time, a cluster of such firms of the same calibre as the most exciting firms in Silicon Valley have emerged in e.g. Sweden, and these firms are challenging established structures in several industries. Skype challenged traditional telephone companies; Spotify changed the music industry; Klarna altered digital payment solutions; SoundCloud created a YouTube for sound; and Tobii Technology changed, among other things, how we use computers.
What does an entrepreneur look like?
Three cases
Case description

- **Klarna**
  - started 2005, turnover 250 million Euro, 1200 employees (2014)
  - spin-off from Stockholm’s School of Economics
  - digital payment solutions over the Internet

- **Mojang**
  - started 2010, turnover 250 million Euro, 28 employees (2013)
  - founder previous from industry
  - user-centred gaming like Minecraft

- **Spotify**
  - started 2006, turnover 750 million Euro, 1200 employees (2014)
  - founder previous from industry
  - online music streaming
Question

From an entrepreneurship and business development point of view; what can we learn from studying new and emerging firms like those above?
What can we learn from the cases?

(1) Dominating founder(s) and a talented team

- Not necessarily have great experience in starting and running a business; rather, they rather have worked at various firms previously.

- A team of individuals who complement each other in both social and technical skills.

- There is a strong “hands-on” control when recruiting people outside the core group.
What can we learn from the cases?

(2) Clear user focus

- Very close relationship with their users (or customers), and in some cases a user community - the firm receive valuable feedback and improves the products/ services.

- Users often test products/service free of charge -> the firm gets free advices plus positive users who will spread the word to other potential users, generating a spiral in recruitment of new customers.

- Well-thought-through collaboration with industrial partners, highly selective in choice of partners – work with the best of the best (globally).
What can we learn from the cases?

(3) Creativity-driven organization

- The firms are organized in smaller teams to engender commitment, creativity, and a "we" spirit.

- Generous reward systems to encourage employees to reach firm goals.

- Founders careful retain control of the firm, and when management must be expanded, it is done by creating a deputy CEO position.

- Organization is based on a well-thought-through and working business model

- Close to users through Internet, Twitter, Tumblr, and Reddit - they don’t guess customer demand – they knows.
What can we learn from the cases?

(4) Non-existent market borders

- From day one, rapid internationalization is pronounced – the way firms operate in their markets erases all traditional sense of borders, whether national or otherwise.

- IT has made user location inconsequential, as long as the user understands the language being used.
What can we learn from the cases?

5) Clear vision driven by passion

- The firms are everything for the founders - a part of their identity. Positive image and personal branding is crucial.

- Business clearly guided by a vision and not particularly well planned at detail level -> makes it possible to detect and take advantage of new business opportunities.

- A combination of great passion, commitment, and a desire to achieve as much as possible at what one is good at – founders 'simply want to be the best of the best, and that gives great job satisfaction.

- Money is not the primary driving force – rather realizing dreams. Attitudes are relaxed and “work should be fun for everyone” is the motto.
What can we learn from the cases?

(6) Smart utilization of resources

- Advantage of previous employment - “piggy backing” during the early idea development process.

- Available communication technology is for free.

- Using entrepreneurship support activities e.g. incubators, network activities, grants to write a business plan.

- External owners (e.g. venture capital companies) - not only capital but also access to management competence.
What can we learn from the cases?

At the beginning of the 1980s, the Swedish government carried out a project jointly with MIT to survey young, promising, and growing Swedish technology-based firms.

75 Swedish firms (electronic, minicomputer, scientific instrument, and medical technology industries) were analysed.

Published in Utterback & Reitberger (1982) – the STU/CPA-study
Question

Are these new businesses different compared to other firms started in earlier times? (specific character of the; firm, entrepreneur(s) and business environment)
Do these businesses differ from previous new and emerging firms?

(1) The efficiency with which current communication technology reaches users easier!

Does not mean that the STU-CPA firms were not interested in users’ needs, rather, that today’s firms are able to reach actual and potential users in a completely other way and receive feedback at a completely new speed, for example, during product development.

Business plans and market investigations in a traditional way have almost played out their usefulness in these firms.
Do these businesses differ from previous new and emerging firms?

(2) The today’s focus on business models.

In the initial stages of starting up a firm, entrepreneurs begin thinking in terms of business models, which is an crucial instrument in communication with the surrounding world.

It is almost impossible to attract external financing today if there is no clear business model - there is institutional pressure to present a working business model at an early stage.

Earlier, businesses tacitly developed their business models successively during interaction with stakeholders – this took maybe more time than in current firms.
Do these businesses differ from previous new and emerging firms?

(3) In today’s society, the entrepreneur is a person – somewhat of a hero - to be looked up to, which was not the case in the early 1980s!

Society’s view of entrepreneurs and entrepreneurship, and the system that has arisen to support these, should not be underestimated.

Incubators, science parks, education and training in entrepreneurship, and numerous financial schemes to facilitate early development processes of firms.

CDIO-Entrepreneurship!?
Thank you for your attention/Magnus Klofsten
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