



## **tu-e4040 opportunity prototyping fall 2017 (tuesdays 14.00 – 16.00)**

3 ects

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### **dr peter kelly**

professor of practice, high growth entrepreneurship  
visiting professor of business, trinity college dublin  
visiting professor of design, mada, pontificia universidad de chile

my habitat	tuas 2168 (next to avp space)
my handles	+358 41 503 4508 (mobile)
	theideastudio (skype)
	peter.kelly@aalto.fi

my executive assistant	vilma.viiala@aalto.fi
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### **overview**

At its core, the entrepreneurial process deals with dynamic challenges faced by individuals who wish to pursue an opportunity but do not have the necessary resources to hand. Many individuals mistakenly equate entrepreneurship with starting an independent business of their own. This may very well be the most appropriate way to pursue an opportunity but entrepreneurial process thinking is context blind; it can happen in new ventures, existing businesses, family businesses, not-for-profit initiatives, in fact anywhere where opportunity pursuit is bounded by resource constraints.

The design of this course is deliberately provocative and challenges much of the conventional wisdom as to the theory and practice of entrepreneurship:

- 1) In essence, the entrepreneurial process is an exercise in design thinking; how to create a compelling solution to a customer's problem. Perhaps more than any other discipline, design looks at problems from a deeply customer empathetic perspective.
- 2) The linear logic of "have idea", "write plan", "raise money" is entirely misplaced. Ideation is defined as a process of forming ideas or images --- note the visual imagery to design disciplines. In my experience, too little effort is placed on creatively exploring how problems can be solved from

the outset. Piquing the imagination of others is the hallmark of individuals that can and do push innovative solutions forward.

- 3) Pursuing opportunities is a tough endeavor; resource providers are skeptical as are target customers. Anyone can do it but the alignment of personalities, opportunities and resources rarely fall into place as neatly and quickly as aspiring entrepreneurs hope. The fear of failure is often a big inhibitor for individuals to step out of their comfort zone. One of the greatest innovators of all time, Thomas Edison, considered failure as learning insights. In keeping with this spirit, the philosophy of the course is "failure tolerant zone".

## course objectives

We will introduce you to an approach called effectuation, a set of decision-making principles that **expert entrepreneurs** use in situations of uncertainty:

- 1) Action is initiated based on means available and not pre-set goals
- 2) Limits of investment both in terms of time and money are set up front
- 3) Opportunities are explored and developed in co-creation with outside parties
- 4) Surprise opens up new possibilities if you are open to reshape the opportunity
- 5) The future is shaped by the actions you take

Using available means as a starting point, expert entrepreneurs create an artifact (idea), set limits on how much time/money to spend evaluating the opportunity potential, engage the outside world with an open mind to shape the opportunity with an aim to secure pre-commitments from some to take an opportunity forward.

Through a combination of practical exercises, case studies and masterclasses, the aim is for students to gain:

- 1) Insights into the effectual mode of thinking
- 2) A mastery of the skills necessary to distinguish between ideas and opportunities
- 3) Confidence in communicating with impact
- 4) An appreciation for what it entails to be an entrepreneur

## deliverables & evaluation

The design of the course involves both **individual tasks** and a **group assignment**.

**Each participant** will need to complete the following:

1. Actively participate in the Networking Masterclass scheduled for **19 September @ Design Factory** (The Stage) **5%**
2. For the R&R case (**due at the beginning of class on 26 September 2017**), address the question "To what extent does Robert Reiss behave according to the principles of effectuation?" (2 pages maximum excluding exhibits) **20%**

3. Watch the "Mission to the Edge of Space: The Inside Story of Red Bull Stratos (2 hour video) at: <http://www.redbull.tv/film/AP-1KERSA1V52111/mission-to-the-edge-of-space> - and address the following question: "What insights can aspiring entrepreneurs take away from the Red Bull Stratos project to guide their pursuit of entrepreneurial opportunity? (4 pages maximum excluding exhibits) **Due by 16.00 MyCourses Friday 13.10.2017 25%**

## **Rethink the Concept of "Retailing" (Group Task 50%)**

The **group task** will be discussed at length in the introductory session but will be focused on the challenges (opportunities in disguise) presented by the disruptions experienced in retailing. In the latest issue of Time (31 July 2017), "**The Death and Life of the Shopping Mall**", Josh Sanburn made a number of startling observations:

- By 2022, 1 of every 4 shopping malls in the US will be out of business
- In 2017, 5,300 retail stores have closed down with a further 3,300 closures expected by year end
- Department stores have shed a quarter of their workforce since 2002 (448,000 jobs) while only 180,000 new jobs have been created over the past 15 years in e-commerce
- There is an estimated 26 sq feet of retail per person in the US as compared to 2,5 sq feet in Europe
- Luxury malls are thriving as are integrated designs that blend retail, residential and office space
- The decline and demise of "the mall" has spawned the creation of the highly popular *Dead Mall Series* on YouTube

Leading Sanburn to conclude:

"A growing number of Americans, however, don't see the need to go to any **Macy's** (department store) at all. Our digital lives are frictionless and ruthlessly efficient, with retail and romance available at a click. Malls were designed for leisure, abundance, ambling. You parked and planned to spend some time. Today, much of that time has been given over to busier lives and second jobs and apps that let you swipe right instead of haunt the food court. Malls, says Harvard Professor Leonard Schlesinger, "were built for patterns of social interaction that increasingly don't exist." (Time, 31 July 2017, p 34)

And some other observations as food for thought:

- The global pioneer of catalogue shopping – **Sears** – was the Amazon of retailing when it started more than 130 years ago – In 2017, the company is expected to lose \$2 billion on the back of falling sales, store closures and mass layoffs. Even with sales in excess of \$20 billion per year, the market value of the company is only \$900 million with a current share price of \$9, from a peak of \$192 in 2007. Despite this turmoil, current ownership is convinced that "a ground footprint is valuable not just because people still mostly shop by ground but also as a delivery vehicle".

- Retailers with a “design flair” have fared somewhat better – **Target** reported higher sales \$70 billion, is profitable and with a market capitalization of \$32 billion - although the share price has dropped by a third the past 2 years
- The world’s biggest retailer by sales, **Walmart** (\$486 billion) employs 2,3 million and commands a market capitalization of almost \$250 billion
- **Costco** who pioneered the development of “membership clubs” with annual fees (which represent 70% of its operating cash flow) has been hugely successful, imitated (Sam’s Club – Walmart), and challenged by the likes of Amazon – when the Amazon acquisition of Whole Foods was announced in June 2017 (\$13+ billion) – Costco’s shares dropped on the date of the announcement by almost 20% wiping off \$14 billion of market capitalization.

And then there is the “**Amazon effect**”:

- Founded as an internet bookseller in 1995, the company went public in May 1997 trading at \$1.73 a share. To date, Amazon has reported **cumulative profits** of \$5.7 billion and is currently valued at \$475 billion with shares currently trading at \$968!
- “**One Click Shopping**” (Amazon patent) – has transformed the way we purchase online
- Amazon accounts for more than 50% of the consumer book market on a per unit basis
- 43% of every dollar spend online in the US is on Amazon and this year the company will surpass Macy’s department stores in apparel sales
- **Amazon Prime** is described as an “all you can eat buffet for shoppers” – for \$99 per year (free shipping, movies, TV shows, music streaming, ebooks and if you are a student a 50% discount!)
- The company’s founder, Jeff Bezos, is the richest person in the world with a penchant for experimentation in areas diverse as semantic web, big data, robotics (Amazon Go), drones (Amazon Prime), publishing (Washington Post), and ...
- The recent purchase of **Whole Foods**, an upscale grocery store chain is a click and mortar experiment based on the insight “Shopping for food is broken. Both the in-store experience and the many attempts at online delivery – from Webvan to Instacart to Amazon’s own service - Amazon Fresh – have failed to create the sort of seamless buying experience we enjoy with nonfood e-commerce.” At \$13.4 billion, Bezos is redefining the effectual concept of affordable loss.

Even in a market like Finland, disruption has been evident:

- The **Anttila Kodin Ykkönen** chain founded in 1952 filed for bankruptcy in July 2016 resulting in the closure of 30 stores employing 1,300
- The leading department store, **Stockmann**, has recently announced the sale of their grocery store chain to the **S Group** for €27 million with the stated aim of improving procurement and logistics
- Stockmann also has decided to work with tenants in consumer electronics (**Expert**), toys (**Hamleys**), books (**Bonnier**), pet supplies and accessories (**Musti & Mirri**), and dining (**Espresso House, Fazer**) – tellingly the Stockmann Group is organized as Retail, Real Estate and the **Lindex** store chain – there is a lot of effectuation going on here!
- **Starbucks** has recently established a footprint in one of the world's

The retail experience is being reshaped in fundamental ways driven by:

- Behavioral dynamics, particularly among millennial consumers who are tech savvy, often rely on peer advice, conscious of their environmental footprint, and appear comfortable with “showrooming” – examining merchandise in brick-and-mortar stores and making purchases on line, to name a few
- Developments in technology in a wide variety of fields including big data analytics, scanning, virtual reality, e-commerce, additive manufacturing, to name a few
- Increasing attention paid to price transparency (value chain) and circularity – where products are sourced and how they are recycled after consumption

You will have **complete freedom to interpret the brief** “rethink the concept of retail” any way you like be it:

- A retail offering that is needed and does not exist today
- The design of customer affinity programs
- In store design
- Online platforms
- Payment
- Social media
- And anything else that tickles your fancy (and mine)

The opportunity nugget need not be a start-up. I suspect there is many ideas that can be explored and implemented as experiments within existing retailers. You will discover that good ideas are not necessarily the same as genuine opportunities and together we will work through this challenge.

## The Team

- 1) You will be working in teams of ideally 6 students – “founding teams” display diversity and this will be no different in terms of gender, nationality and discipline (to the extent possible);
- 2) My hugely talented assistant Vilma has extensive hands on experience in retail – feel free to use her as a resource
- 3) I will join each team as a mentor providing constructive (some may consider it brutal) feedback throughout the process.

## The Task

- 1) By the end of the course, your team should be prepared to present an opportunity nugget to the class; the challenge every entrepreneur faces is that opportunities are perceived and the lens through which they are seen are utterly unique to every person. Successful entrepreneurs explore possibilities (creativity) **before** deciding what to do (innovation). The best opportunities are those that resonate deeply with the passions, skills, experience and networks of the team (is it worth doing?) **and** can be activated (is it doable?)

- 2) As mentor, I will guide teams through the discovery process and we will work “in camera”; I will be the only person who knows what each team is working on.
- 3) Given the number of participants in the class, the final session will be set up as a demo showcase a chance to informally pitch and with the aid of prototypes (if appropriate) demonstrate your opportunity nugget.
- 4) In support of your demo showcase, each team will prepare a Pecha Kucha presentation for me – a highly visual story telling format that requires you to communicate messages in 20 second sound bites. Some examples and guidelines of this format can be found at: [www.pechakucha.org](http://www.pechakucha.org).
- 5) Each participant in the class will have an opportunity to “invest” in what they consider to be the best opportunity nugget.
- 6) **ABOVE ALL ELSE HAVE FUN WITH THIS AND DON'T CONSIDER IT A “TASK”!**

### **Schedule of Coming Attractions (subject to revision)**

<b>12 September</b>	Introduction to Effectuation
<b>19 September</b>	Networking Masterclass
<b>26 September</b>	Effectuation in Action Case: R&R (Harvard Business School)
<b>3 October</b>	The Art of Lean
<b>10 October</b>	Team Consultations
<b>17 October</b>	Final presentations