

# TO ADAPT AND “RIDE” THE CHANGE IN BUSINESS

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# Change and Pivot

“I have not failed. I’ve just found 10,000 ways that won’t work”

Thomas Edison

Sometimes you have to have the courage to change! Change, which often scares old-fashioned entrepreneurs, is now seen as a value and one of the crucial elements of the lean startup approach.

Let's start from the basics: the concept is that in your new startup you have a whole series of not yet tested hypotheses, at this point the best thing to do is "get outside of your building" and test, ask, keep informed, compare yourself with potential customers and users.

So you will have to ask yourself:

- Is what you're doing useful?
- Will anyone ever buy it?
- What needs does it satisfy?

If your assumptions were right continue down that road, if they are wrong you still have time to change from having to solve future crises, just change the assumptions.

The pivot is not simply a product change. In fact, a Pivot is a radical change of direction in a company's business model resulting from the awareness that current products or services are unable to meet the needs of consumers. The main objective of a pivot is to help a company improve its revenue and ensure its survival on the market.

## What is a business model?

The business model represents the way in which a company organizes its activities to create value.

Following the model proposed by Osterwalder, a business model is described by nine "blocks", distinct but related to each other, which characterize the activity of a company:

1. the value proposition, which describes what the company offers and to whom;
2. the customer segments, which group together the different groups of customers that the company intends to serve;
3. the channels used by the company to reach its customers;
4. the customer relationships, all the activities that the company puts in place to manage relationships with its customers;
5. revenue model, how the company monetizes its offer;
6. key activities, the main activities which allow the company to generate value;
7. key resources, the main resources adopted within the activities;
8. key partners, the main partners of the company in the management and development of its business;
9. structural costs, which the company must incur for its activities.

## Pivot, a key event of a startup

If the correct setting and optimization of a business model is particularly important for already established companies, as demonstrated by the case studies, it is even more so for startups, which have to build all the structure from scratch.

The process that leads to evaluate a pivot, in the life of a startup, is rather linear: once a business idea has been hypothesized and after an initial phase of experimentation with the two basic hypotheses (i.e., the creation of value and the possibility of growth / scalability of the idea), startups are at the point to evaluate the first data: if the results are satisfactory, you can continue following the original idea. Otherwise, it may be worth making a change of course (in fact, a "pivot").

## What are the main changes in the business that a company can make?

Eric Ries, in his book *Lean Startup*, suggests ten types of pivots, to be evaluated, experimented and tested:

- Zoom-in, i.e. transforming a feature that is part of a product (for example a platform) into a new separate product.
- Zoom-out, i.e. transforming a single product into a set of products, usually integrated with each other.
- Customer segment, i.e. trying to satisfy the requests of a new group or segment of users, different from the original target, based on the results of market tests.
- Customer need, i.e. solving a different business problem of your target audience, also in this case based on the results of market tests.
- Platform, the idea of being able to transform an application into a platform, or move from serving your customers directly to becoming the reference platform where you can create connections between third parties (customers and sellers).
- Business architecture, or transforming a market offer from B2B (business to business) to B2C (business to consumer), and vice versa.
- Value capture, or changing the monetising models of the offer.
- Engine of Growth, i.e. changing the growth strategy of your offer among the three available options (viral, sticky or paid growth model).
- Channel, i.e. change the distribution channels of the product or service, which can be direct, indirect, physical or virtual.
- Technology, or change the technological basis of your products or services.

## What is success?

### *SUCCESS – success conditions*

The success of the implementation of the change is conditional on compliance with the following principles:

S - Shared vision

U - Understand the organisation

C - Cultural alignment

C - Communication

E - Experienced help where necessary

S - Strong leadership

S - Stakeholder buy-in

## **KOTTLER'S 8-POINT MODEL OF CHANGE**

1. Develop a sense of urgency about the need for change. This can help generate initial motivation and get things moving.
2. Form a strong coalition - convince people that change is necessary. This often requires strong leadership and visible support from key people in your organization
3. Creating a vision for change - Connect all the concepts to an overall vision that your people can then easily grasp and remember.
4. Communicate the Vision - your vision message is likely to have strong competition from other day-to-day matters, communications within the company. It needs to be communicated often and strongly, and embedded in everything you do.
5. Remove obstacles - Removing an obstacle can empower the people you need to execute (execute) your vision, and this can help move change forward again.
6. Creating Short Term Wins - Nothing motivates more than success. Give your company a taste of victory already in the early stages of the change process.
7. Build on change - Kotter argues that many change projects fail because victory is declared too soon. Real change happens in depth. Quick gains are just the beginning of what needs to be done to achieve long-term change.
8. Anchor of corporate culture change - ultimately, any change should take root to become part of the core of your organization. Your corporate culture often dictates what happens, so the values behind your vision must be demonstrated in day-to-day operations.