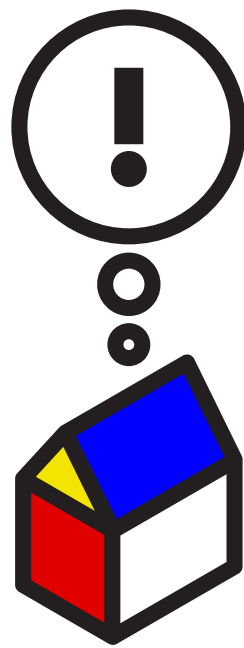


# MAP OF CHALLENGES

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## Challenge garage

*Detecting real challenges to generate new business*

upf.

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Pompeu Fabra  
Barcelona

barcelona  
school of  
management

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SYSTEMATIC BUSINESS INTERSECTIONS

# FOREWORD

As part of the BSM Challenge Garage project we asked students at the Barcelona School of Management (Universitat Pompeu Fabra) to discuss and elaborate about what they consider are main challenges for companies and organizations today and in the near future.

This document is the result of the insights about these challenges published for several weeks in an online platform created for this purpose. We have shortlisted 10 of these challenges, the ones considered most relevant. For each one this document presents a text summarizing main ideas of presentation and discussion about challenges. We also include in every case a couple of examples of a real company, business & social trend or theoretical approach already addressing or leveraging each challenge.

The ideas and insights presented here show very positive results regarding one of the main goals of BSM Challenges Garage: having the students to be aware, learn and discuss about issues that are already (or in the very near future) becoming key factors for business and organizations but still generally not included (or very shallowly) in the traditional curriculum of a Business Management school.

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## Challenge 1:

# DETECT CUSTOMER NEEDS IN “REAL TIME”

There is a challenge of fulfilling customer needs in a **fast changing world where customer preferences are changing much faster than years ago.**

**In a context of a simpler society (Mass Society) and markets it was much easier to guess in advance what could be successful** (demanded by people and businesses). Growing markets, middle and low class improving its spending capacity, a demand most of times bigger than supply were other important reasons that made easier this work of guessing. In many ways, **the idea of “if you build it, they will come” used to work. But this is no more in developed economies.**

I talk about guessing on purpose, because **in my opinion the release of any new product or service has been (and still is) mainly a work of guessing**, besides market research, focus groups and some other techniques (if these techniques were good enough, how to explain so many failures?) Nowadays many of these techniques are questioned, at least if implemented the way they been to for last decades. But, in any case, all were considered enough and “worked” for the reasons I just explained. But because today’s changes in these conditions, guessing is not going to be enough.

I also talk on purpose about detecting, because **today new products and services development should not be so much about guessing but about discovering.** I mean, I+D or business development should not be managed so much by “experts” in guessing what market could demand but by experts in detecting what the market is about to demand or demanding already (even if the market do not express it in tangible or visible ways).

I’m talking about a **more “scientifically” approach.** Maybe nothing much different of what so many management books and theories have been saying about companies being **“customer centric”, an approach that is still mainly in the theory realm more than in a real business everyday practices.**

Finally, I also talked intentionally about discovering “in real time”, because once all competitors change guessing approach for discovering approach, **the competitive advantage will be gained by the first one to achieve the discovery (and once discovered, turn it into a product in the market).** Obviously this has something to do with been able to addressing properly the challenge of Big Data I mentioned in another post.

### CogniCor

**CogniCor** is the provider of automated complaint resolution service. It works with an AI based technology that minimizes the need for human intervention in resolving complaints. And CogniCor’s adaptive learning based technology allows to learn business rules

based on the previous resolutions.

Based in Barcelona, the company offers different products, as..

iResolve, a service that resolves simple complaints cost effectively, learning from the past resolutions.

iMediate, a service able to offer automated negotiation on claim settlement.

But, talking about discovering customer needs in real time, **the reason I bring CogniCor up is iReport, a service of rich business intelligence extracted from complaint resolutions.** iReport is able to get valuable information from the complaints it manages. So, besides complaint resolutions and we can even say **as a kind of “waste product”**, the systems also learn more about the weaknesses in the company systems and processes, so its user can stop future complaints by fixing the root cause of complaints. **A case of an intelligent use of (own) Big Data to turn it into useful knowledge.**

[www.cognicor.com](http://www.cognicor.com)

### Design Thinking & Ikehackers

On the other hand I think is also relevant to point out, although briefly, last tendencies in innovation and what is called **Design Thinking.** For those unfamiliar with the concept, a link to Wikipedia page where it is explained:

[http://en.wikipedia.org/wiki/Design\\_thinking](http://en.wikipedia.org/wiki/Design_thinking)

In this context, is relevant to highlight how much **emphasis is currently put on exploration phase before ideation of new products and services in which asking or interviewing prospects or future users is not so much important as to just observe them in a real life or use context.**

Sometimes companies don’t even need to leave their premises to do a bit of a fieldwork. **There are many examples of how customers and prospects are showing what their needs are without anybody asking them about it.** Let’s take for instance the Ikea Hackers “movement” in which a series of Ikea costumers show different uses, new ideas and personal transformations and customization based on Ikea products.

[www.ikeahackers.net](http://www.ikeahackers.net)

<http://piratasdeikea.blogspot.com.es>

Don’t you think Ikea designers and product managers should be paying attention to these hackers to get inspiration for next year catalog?

## Challenge 2:

# CO-CREATION WITH CUSTOMERS

**Co-creation with customers is a very innovative way to address two challenges (detecting customer needs & responding to that needs) at the same time or in the same process. Co-creation is one of main issues when thinking on implementing the concept of open innovation.**

Co-creation implies collaboration between the company and their customers or prospects, therefore **having the consumer to partner in the creation of value**. As theory goes, **they are in an ideal position to suggest improvements to a product they've already used** or to inspire how to address needs that are not currently being addressed. Besides, **co-creation can improve company/consumer relationship considerably** by engaging consumers directly in the production and distribution of value. Asking consumers for their input can create a sense of ownership that improves in a significant way future loyalty with the brand. So, considering all positive outputs, **why still not so many companies are co-creating with consumers?** It turns out, Co-creation is a challenge in itself, and apparently not an easy one to tackle.

First, there's (as usual) **the cultural barrier** within organizations themselves. **Historically, the process of value creation has been driven almost exclusively within the business**. The idea that consumers are not creative has been assumed many times as a biblical truth, so their role was seen solely at the end-of-line points of the company/ customer or prospect interaction (eg. Focus groups when the product is already almost developed). In summary, co-creation requires a fundamental shift in the way companies and consumers interact. **Are companies (I+D people, "experts") ready to be told what to create?**

On the other hand **we have the challenges on customer side**. Much remains unknown about how customers actually engage in co-creation. For instance, when asked to think about an ideal product or service, customers could just tend to ask for what he/she would like to have, with no regard to any condition or barrier on the process of turning an idea or a wish into a real thing in the market. On the other hand, many cases have demonstrated **there is usually a gap between what a prospect says he/she would buy or pay for something and the way he/she really acts when having to really pay for something once in the market**.

**And finally, there is also the challenge of tools and methodologies to be used**. Even having the proper company and customers to co-create... How to actually doing it in an efficient way? What tools should be used? What process? As co-creation is already at its infancy, **maybe there's not other way that just try different ways and tools and get know how in the process..**

### Munich Sport Shoes

**Munich Sport Shoes is a good example of a company that implements co-creation successfully**. The company is located in Capellades, province of Barcelona, but sells internationally to many European and Asian countries, mainly Japan.

Munich is still the family business its founder started in 1939, but his grandson is responsible for the big change experimented some years ago when they reached a privileged position by entering the streetwear fashion market and making the brand one of favorites for fashion victims ready to spend 200-300 euros in a pair of shoes.

**The turning point was the creation of the website Munich My Way in 2009**. On that site every customer can personalize shoes combining designs, colors and textures. **The user can select the color of any of the main 9 parts of a shoe**, including the sole, flap, heel and cords. When Munich receives the order, the factory produces those shoes, and delivers it within 2 weeks.

**Taking beyond this possibility of co-creation Munich Sports proposes to their community of online followers some design contests in which the most voted ones are incorporated to next season catalog**. Not necessary to say, own Munich professional designers and product managers pay much attention to opinions, likes and dislikes of customers on their conversation with their followers through its own website or in social networks.

[www.munichmyway.com](http://www.munichmyway.com)

### Lego Cuusoo

**Lego Cuusoo is probably one of the most known co-creation initiatives**. CUUSOO is a Japanese partner of The LEGO Group. They work with the LEGO Group to produce community supported sets.

Since 2008, CUUSOO.com offers a user innovative design system for people to create and market their own LEGO sets first in the Japanese market, later in some other countries (LEGO CUUSOO International was introduced in early 2011). Users may first create a page about their proposed idea for a set. Once the project reaches 10,000 supporters, it is then reviewed by the Cuusoo team who then decide on whether to produce it or not.

If the project passes review and is chosen for production, the owner of the idea will receive 1% of the total net sales of the product. **This revolutionary business model allows an amateur user with a passion in any area, character, content, etc. to create an official LEGO set not designed by a professional and even get an income out of it**.

An obvious positive output of the model for the company is that **the people interested in having a particular LEGO set in the market are the ones responsible for most of communication to prospects** when trying to get the supporters needed in advance.

Of course, website and a blog are essential communication channels to inform followers and fans of LEGO about happenings in the LEGO CUUSOO community, tips, and products released based on fan submissions to the site.

<http://lego.cuusoo.com>

## Challenge 3:

# REINVENTING RETAIL

I think **retail is on the threshold of a revolution**. We've witnessed for the last decade the emergence of new ways in which vendors sell their products and buyers buy them. Changes are normal in any sector, including trade. **All sectors are in constant evolution. However, I think the latest innovations in retail involve the potential to become much more radical transformations and disruptive than those experienced during the preceding century and a half.**

Obviously **I'm talking about Internet and e-commerce and m-commerce...** and all the letters we can think of putting on before the word commerce... and specially the convergence (or not) of them all with physical stores.

**E-commerce is growing everywhere in the world.** The average of all western countries is still a double digit growth. Latam and Asia e-commerce growth was 17'5%" and 18'9%" respectively in 2012. **And this is happening in more and more categories.** Anybody remember when not so much time ago "experts" said that some products as clothes or food would never sell on Internet? But today, all fashion brands operate an e-commerce website and in most of cases this is their bestselling shop.

In US, last year 6% of all commerce was e-commerce. What changes should we expect in economy, employment, demand & offer or even the way cities are designed when this percentage arrives to 20%, 30% or, why not, more than 50%?

But, let's limit the area of discussion to just retail. **The main two challenges for retail are, in my opinion...**

**A) How to deliver a real integrated multichannel experience to costumers...**

**B) What role to leave for physical shops (if any)**

### Desigual

Here in Barcelona, **Desigual is looking for new models based on offline and online worlds' hybridization.** This brand opened a store in Barcelona as a showroom of 800 square meters in which great care has been paid to the shopping experience. Decorated like an old bazaar, the new store holds art exhibitions and fashion shows. Customers may have advice from specialists in fashion and beauty, as well as the possibility to customize garments and accessories. The new facility allows knowing and trying the entire brand collection. However, **the store only keeps a single item by reference and size. Once the decision to purchase is done, costumers should use the tablets offered by the store staff to buy online.** Delivery is free within a maximum of 48 hours at the address indicated by the client in any of the countries served by Desigual online store.

<http://pinterest.com/desigual/casp-33-la-vida-es-chula>

<http://tiny.infonomia.com/desigual-showroom>

### Tesco supermarkets

In some other cases, **multichannel innovation may be born from unexpected discovery of new channels. Such is the case of the interactive walls installed by Tesco supermarkets in a subway station in Seoul.** Such displays represent shelves to be found in a supermarket. The picture of each product is accompanied by a QR code that allows filling virtual shopping basket easily and quickly using the appropriate application on a smart-phone while waiting the arrival of the next train. After the transaction is done, products can be delivered to the address of the buyer at the chosen time of the day. Few months after the system was first implemented, It had been used already for over 10,000 Korean. Its success has led Tesco to prepare similar facilities in other metro stations in Seoul and some others European cities.

<http://tiny.infonomia.com/virtual-supermarket>

## Challenge 4:

# MASS- CUSTOMIZATION

One of the biggest future challenges for businesses must be the rising trend of “mass customization.” **Standardized production process and the conventional ways of consuming products/services are no longer desirable and don't meet our expectations.** The growing product variety, e-commerce opportunities and new technologies offer great future challenges. **Mass production is no longer an effective strategy.** Companies will need to adopt more new technologies, smarter design and production processes to overcome this challenge in the very near future.

**A lot of new technologies offer wide variety of opportunities for companies to offer highly customized user experiences.** Companies must learn how to use new technologies and come up with new design solutions to be successful in mass customization. **This new consumption style will also bring new and big challenges in design, engineering, manufacturing, supply chain management processes.**

Companies, such as Dell and Nike, are providing their customers a highly-customized user experience for a long time. **Coca-Cola recently invested \$100 million into Freestyle, vending machines that allow consumers to personalize their drink.** While other beverage dispensers offer between six and eight drink choices, **Coca-Cola Freestyle** is equipped with an easy-to-use touch screen that allows users to dispense more than 100 individual brands, including some, like Diet Raspberry Coke, that aren't available anywhere else. One of the greatest examples came from Nokia. **They recently released the design files of their Lumia phones and allow 3D printer owners to make their own cases.** The project makes **Nokia** one of the first big electronics firms to seriously back 3D printing. This is a great example of empowering the customers with a creative thinking and new technology.

### Casebuilder

**This e-commerce for flightcases allows many different options for a case to be delivered. The costumers can put together a flightcase according to their wishes.** It can be delivered as a Construction Kit or as a Ready-To-Go kit. A Construction Kit consists of flightcase parts, profiles and plate material. All aluminium profiles are sawn to size. Besides this, the holes for the locks and handles are milled beforehand on the positions determined by each buyer. The Construction Kit is also provided with a clear manual including a great number of pictures.

To deliver something “cut to customer” is not new (happened with tailors for centuries). The new thing is being able of providing it quickly and using industrial processes. **One of the barriers to overcome has been being able to offer the customer the possibility to design and order his/her personalized product.** And this is something very difficult if not through Internet and advance e-commerce features.

Btw, I also found a company that offers personalization of the foam used in flightcases to hold the things that should be carried with care, shows that there is always a new level of personalization in which we can think about to find a new value proposition [www.mybuilder.com](http://www.mybuilder.com)

### Progressive Snapshot Auto Insurance

[www.progressive.com/auto/snapshot-how-it-works](http://www.progressive.com/auto/snapshot-how-it-works)

The value proposition in this case for the driver is “the better you drive, the more you save”, because if you're a good driver do not have to subsidize the bad ones. It works using a device in the customer's car that keeps track of good or bad driving (how often you slam on the brakes; how many miles you drive; often you drive between midnight and 4 a.m., etc) and then offers a personalized insurance rate.

I think this is an outstanding example of mass-costumization because **is not just about personalizing the product or service (in fact, the insurance services does not change in itself), but personalizing the value proposition and even more importantly changing the business model itself** for insurance companies in a revolutionary way.



## Challenge 5:

# HOW TO PROTOTYPE FASTER AND BETTER

I think **prototyping is one of the key factors when trying to improve the process of responding to new needs before competitors do** (aka, the process of innovation). Prototyping, of course, is not a new practice, but **implementing efficiently the process of prototyping is something still not too many companies manage to achieve.**

For start, most of times, prototyping is understood only as a tool to eliminate the uncertainty about whether a new design will actually do what is desired. In this sense, **prototypes are many times considered only from an engineering point of view**, just to allow engineers and designers the ability to explore design alternatives, test theories and confirm performance. **This approach has two different flaws. First, it is very difficult to be applied to the prototyping of services, and secondly, it does not consider costumers or prospects in the picture.**

Going further, in some other cases costumers are invited to the process, but just as users. I mean, they are invited just to be observed while they use or interact with the object or product. Again, this approach is still difficult to apply to services. But **another level of using prototyping should include ways to retrieve information or knowledge about if that product or service serves better a particular need as a whole product in a market.** In this sense, prototyping process should ideally include elements as pricing, value proposition and the way is perceived by prospects, communication strategy, distribution and channels, ....

I'm aware this is not easy at all, but that's why we're talking about challenges in here...

### Innubu

Innubu is a Spanish startup offering a solution to try to overcome this difficulty. They offer a different way to do market research by allowing customers and prospects express their opinion during the entire product development process. With Innubu companies can interact with customers from all over the world so that they will know their requirements and needs in real time through a dashboard. In summary, **Innubu platform has been designed to help brands make the right decisions by engaging their fans and costumers throughout the entire innovation process.**

First, companies should identify and invite loyal fans from their social media communities to their private platform in Innubu. This allows getting their feedback about product concepts, designs, color, material & finishes, pricing, logos, taglines and even packaging. Results can be tracked in real time in a dashboard where companies have access to all the analytics needed to make decisions. **The platform allows filter the results of their feedback by age, gender, marital status and region and even differentiate between just fans or followers as well as costumers.** Finally, **Innubu facilitates rewarding fans or prospects for their job depending on their performance, consistency, value of insights, etc.,** earning an internal currency that can be redeemed in exchange for gifts, coupons and discounts.

[www.innubu.com](http://www.innubu.com)

Also in relation with the future of prototyping I think **is relevant to mention what has been called the "maker movement"**. Quoting from Wikipedia, Maker movement is considered a contemporary culture or subculture representing a technology-based extension of DIY culture. Typical interests enjoyed by the maker culture include engineering-oriented pursuits such as electronics, robotics, 3-D printing, and the use of CNC (Computer Numerical Control) tools, as well as more traditional activities such as metalworking, wood-working, and traditional arts and crafts. **The subculture stresses new and unique applications of technologies, and encourages invention and prototyping.** There is a strong focus on using and learning practical skills and applying them creatively.

This could be considered just a DIY for the computer age, but **some theorists are even talking of the dawn of a new industrial revolution.** For instance, Chris Anderson, who famously coined the concept of "Long Tail" some years ago, has written a new book about the subject: **"Makers: The New Industrial Revolution"**. Here's its argument: After the personal computer revolution and the Internet revolution, the latest tech upheaval is the "Maker" movement. According to Anderson, new technology has "democratized the means of production," making it possible for anyone to be a builder or "maker." Anderson compares the current moment to the early 1980s, just before Apple released the Macintosh, thus making desktop computing available beyond the early-adopter tech-geek community, to the regular consumer.

### Quoting from an interview with Anderson:

"Until recently, the ability to manufacture was reserved for those who owned factories," Anderson says. "What's happened over the last five years is that we've brought the Web's democratizing power to manufacturing. Today, you can manufacture with the push of a button." Today, consumer 3-D printers build models using plastics and other starch-based materials, but Anderson says that by uploading designs to services like Shapeways, one can print in glass, ceramics, and stainless-steel. "It's not even that expensive," Anderson says. "It's, like, \$20 to print a metal object that's beautifully done and you can't tell that it's not professionally manufactured." Other metallic substances like titanium, brass and even gold-plating are possible. "You can do food, cupcake-icing and cakes," Anderson adds. "How long until you're printing biology, printing cells?"

So regarding to our challenge, **this idea makes me wonder if prototypes will become the new products for early adopters, blurring the limits between both, maybe the same way is already happening in software with beta versions.** For instance, beta versions in videogames were some years ago to be tested by programmers and maybe a limit number of beta testers. Nowadays, most videogames are released to the market as beta version to be improved or fixed thanks to early adopters' feedback or even improvements directly made by themselves (all for free for the developers and publishers).



## Challenge 6:

# IS BIG DATA TOO BIG FOR MOST COMPANIES?

As the IBMs and the Gartner's of the world are telling us lately, **Big Data is going to be the next big thing**. Certainly, you do not need to be an expert to be aware of how **data creation increases exponentially year by year**. Just think about all the actions we do nowadays everyday and produce a digital trace and they did not just few years ago. We search and surf the web, we comment products and services, we decide to buy them or not, ...and all in real time. And not just as consumers, but also as citizens using public services as hospitals or schools, drivers using roads and streets, etc. And if you think this means terabytes or even petabytes enough, just wait to have the Internet of the things all around us!

So yes, companies and organizations are going to be able to use all this data in order to improve their performance and deliver much more precisely what costumers and users are demanding. But I think that, as usual, **the pass from "technically possible" to being able to take profit of it from a business management everyday practice will not be an easy step forward**.

So IBM or whoever will deliver the companies and organizations the possibility of getting information from data. But, for start, **are companies ready to get knowledge from information?**

On the other hand, maybe systems will deliver all kinds of insights in real time but, **are organizations (people, processes, cultural mindsets, etc.) ready to react also in real time?**

I think that **only companies and organizations that respond to this challenge properly will be able to gain the competitive advantage Big Data is promising**.

### Relevance

Relevance, a startup from Barcelona, is leveraging the power of data produced by customer about products and brands in order to offer new marketing services.

**Their value proposition is based on the idea that the old socio-demographic criteria to determine the consumption of any category is not efficient anymore. It is segmentation based on opinions that determine consumption the one that should be taken in consideration**, because values of an individual in terms of how their priorities or opinions are set are those that define the process of choosing a brand.

To put this theory into practice used to require a lot of money and resources for the necessary socio-demographic studies, and the results were always limited. These traditional studies always take in consideration just a sample of the group studied and, on the other hand, opinions are always got in a non-natural or real context (interview, questionnaires, focus-group, etc.)

**Now technology makes possible to harness customer opinions taken in a natural context with not intermediation (forums, social media,) from a much bigger samples and for just a very**

**small part of the cost it used to be.**

For instance, Relevance offers a service called Brand Tag Cloud. A cloud of tags is used to identify the main attributes defining a brand. It's a brand evaluation methodology based on the spontaneous perception of consumers. **By looking at the clouds of tags that usually appear in conversations about a particular brand, it is possible to identify those values associated with that brand that often fail to show up in conventional branding studies**. The methodology used allows creating semantic maps that shows group attributes and concepts by conceptual proximities according to a segment. It also identifies the benefits of a product or category to construct a map of the potential of a brand, determines possible interesting positioning, and let knowing the appropriate path for the brand evolution according to the benefits identified. The process is also performed to determine segmented messages and ways of communicating in different segments.

### Information Visualization

**I think Information Visualization is one of the fields organizations should pay more attention in order to overcome the challenge of big data**. Defined as the study of visual representations of abstract data (both numerical and non-numerical data, such as text and geographic information) to reinforce human cognition, Information Visualization has made important improvements lately, especially thanks to increasing computerization power.

Quoting from Wikipedia, "**Information visualization presumes that visual representations and interaction techniques take advantage of the human eye's broad bandwidth pathway into the mind to allow users to see, explore, and understand large amounts of information at once**. Information visualization focuses on the creation of approaches for conveying abstract information in intuitive ways"

Obviously, this definition includes old tools as histograms, tree maps, pie diagrams, etc. but also all new computer graphics tools created lately to elaborate 3D interactive graphics and videos based in big databases of information..

As for instance, this one created by Senseable City Lab at MIT that examines the expenditure patterns and urban dynamics using an unprecedented dataset of financial transactions. Transactions in Real Time illustrates the purchasing patterns across Spain during Easter 2011. Using data gathered by the BBVA banking network of over 4 million transactions, this visualization shows how 1.4 million individuals and 374,220 businesses spent €232 Million in the week of Easter. Different spot colors define transactions categorized by the type of sale (e.g. food, fashion, restaurants)

[www.youtube.com/watch?v=FJrRhEvP3EE](http://www.youtube.com/watch?v=FJrRhEvP3EE)

More similar representations based in data from Singapore city.

[www.youtube.com/watch?v=2aEPkyOBtRo](http://www.youtube.com/watch?v=2aEPkyOBtRo)

## Challenge 7:

# HOW TO TRANSFORM ONLINE TRAFFIC IN REVENUES

**About 2.4 billion people used internet in 2011.** This represents a dramatic rise from the 16 million users of 1995. According to a study on the internet economy carried out by AT Kearney (2010), File sharing and Video on Demand account for 72% of total online traffic (6,100 petabyte) but accounts only for 8% of total online revenues (242 billion USD). From these figures I might say **that there is much potential to increase revenues from the biggest source of online traffic. However, there are many difficulties in doing so.**

In a recent group work we analyzed the business case of Facebook. We found out that most of FB revenues come from advertising; however, many investors (e.g. General Motors) started to doubt Facebook's efficacy of turning ads into real sales. As a consequence, **there is a tendency to minimize paid advertising and advertise products through free promotion channels** (i.e. Facebook wall). **Also changes in technology, like the rise of Smartphone, are challenging online advertising...**

The challenge of converting traffic to revenues applies to data as well. **And on top of that, we need to take into account privacy issues**, which make more difficult to exploit such information.

This article is short but insightful..it describes the interrelationship between ads avoidance, ads targeting and ads cost (i.e. profits)... through an effective 3D map.  
[www.oii.ox.ac.uk/vis/?id=4f46562b](http://www.oii.ox.ac.uk/vis/?id=4f46562b)

The conclusions of this article create many doubts about people's privacy, since a **better targeting means more cookies and other forms of tracking..**

**Two drivers can make ads price rise: a) High consumer attention via good content, and b) targeting accuracy, which again influences consumer attention.**

**Companies whose business model is based on ads should consider the infinite number of broadcasters as a ceteris paribus condition...**they cannot change that situation...an actually it is the source of the success of their business model...

Google recently started to use traditional ads (what a paradox) for promoting its minor products (like chrome) on TV and Newspapers.. looking for more effectiveness...The rationale I guess is that they opted

for catching the attention of a specific mkt segment through a more meaningful (strictu sensu) ad channel.

### Branded Content

Many companies and start ups on the Internet (from online newspapers to social networks and apps of many kinds) still have advertising as a key source of income in their business model. The idea is that if they get enough visibility or attention from their users they can "resell it" to companies interested in selling their products and services. This idea is based in the old business model of advertising market.

But, I think **there is a flaw in the theory or model applied to digital paradigm. Old media could sell advertising (attention) for a price because means to get this attention were a scarce resource.** If you wanted to reach people attention there was a few and limited ways to get it. That was the reason why we talked about sharing "advertising cake".

**But what if suddenly this resource is scarce never more?** Digital realm allows infinite "broadcasters" that can get attention for a small piece of what it used to cost, sometimes because so many of these new broadcasters do it for free, some other times because this broadcaster is just paying for the infrastructure were others are creating content for free (user generated content as, for example, in Youtube or Facebook), or sometimes because some advertising space is just a waste product in the business model (as, for instance, in app with a freemium business model).

So, using the metaphor of the advertising cake... What if the cake suddenly becomes thousands of times bigger without increasing the cost of "cooking it"? Yes, every piece of cake tends to become free..

**The answer for companies is maybe turn themselves into a media companies and deliver what today is called Branded Content or Content Marketing**

## Challenge 8:

# HOW TO DEAL WITH THE UNCERTAINTY OF INFORMAL ECONOMY

Western countries distinguish themselves by high saturated and/or concentrated markets. The current economic crisis is making things even worse especially for the European SMEs. Many of them are attempting to internationalize themselves, looking for new markets abroad. Moreover, **companies are increasingly more interested in doing business at the bottom of the pyramid, because of the large number of potential customers and the economic growth prospects.**

There is literature about theoretical business strategy to operate in developing countries. However, there is not much discussion about **how to prepare SMEs to deal with the high uncertainty of these markets.** The informal economy has been shown to be very dynamic with huge growth potentialities, **but it also presents many obstacles embedded in the local cultures, usually unknown for western companies.**

So...

- How to do business in the informal economy (without infringing laws and rules)?
- How to develop a strategy to cope with informal business practices?
- How to take benefit from the dynamism of informal economies?
- How to deal with partners from countries with tacit meaning and high context?
- How to deal with uncertain legal rights?

**Get out of the comfort zone...**it is one of the most difficult things for any company. And dealing with the so-called bottom of the pyramid (BOP) is an extreme push outside the comfort zone. Engaging with the BOP requires much innovation (even though not fancy). Interestingly, we studied some cases that saw both domestic and multinational companies attempt to do so.

Some examples are

Aravind Eye Care System (cheap eye surgery)

[www.youtube.com/watch?v=L045HMoHjSO](http://www.youtube.com/watch?v=L045HMoHjSO)

Jaipur Foot (functional foot prosthetics)

[www.youtube.com/watch?v=UCr3NEciDTA](http://www.youtube.com/watch?v=UCr3NEciDTA)

E-Choupal (ITC applied to farming price)

[www.youtube.com/watch?v=Fx4gukMYTGA](http://www.youtube.com/watch?v=Fx4gukMYTGA)

Hindustan Lever (innovative marketing campaigns to reach the BOP) [www.youtube.com/watch?v=-AhdGgMmH9I](http://www.youtube.com/watch?v=-AhdGgMmH9I)

Thinking about my experiences, it popped up in my mind my "be-loved" Nicaragua and its Mercado Oriental, the largest one in Central America. To give you an idea of its huge importance, el Mercado Oriental is estimated to have a turnover of 2,183 million USD per year, which compared to Nicaragua GDP (6,515 million USD) is a quite impressive figure.

According to el Nuevo Diario (the second most important newspaper in Nicaragua), the Libyan and Palestinian presence in the market has expanded very much in the last 20 years, from 211,000 to 916,000 square meters. This was apparently due to the friendly political relationships between the country of Sandino with Lybia and Palestina in the early 80s.

[www.elnuevodiario.com.ni/nacionales/236186](http://www.elnuevodiario.com.ni/nacionales/236186)

Perhaps, this is a bit extreme example, but I think it sheds light on the very imaginative possibilities to benefit from untapped markets. In the end, companies like Pepsi and Unilever have embarked on this attempt.

## Challenge 9:

# MATCHING TALENT AND GOALS OF EMPLOYEES AND COMPANIES & HOW TO REWARD NOT JUST HANDS BUT “SOULS”

**Companies will increasingly demand not just a degree that acknowledges a particular knowledge but some other kinds of skills** like creativity, leadership, being able to communicate ideas, empathy, self-management, etc, etc...or even enough curiosity to be interested in updating your knowledge constantly. In this context, **most of companies will need not just another kind of employee, but another kind of relationship with employees.** Maybe for an assembly line it's ok to exchange money for time, but what if you really need not just time or knowledge but real implication. **How to pay or reward not just hands but “souls”?**

Many students often complete their studies and try to apply for the “hot opportunities” but this does not always result in optimal situations for the company or the employee. It is only logical that this **dissatisfaction translates directly into productivity. Is it really the wisest decision for the companies to pick the best candidate based on the key words from their resume and past achievements?** Perhaps they should also take into consideration the future aspirations, plans and inclinations of the person. Similarly, **is it really the best decision for a student to target the competitive jobs at the big companies** if in the long run an experience in a small to medium company with big aspirations and bigger challenges may be a better fit?

**Maybe the main challenge in this area is to find these ideal matches between people and opportunities taking into account factors beyond skills** such as personal aspirations, sources of challenge and satisfaction, future goals and etc. **Other challenge related with people productivity and engagement is the challenge of virtual teams**, distributed work teams whose members are geographically dispersed and coordinate their work, predominantly with electronic information and communication technologies (e-mail, video-conferencing, telephone, etc.). To survive in the global economy SMEs have to improve their products and processes exploiting their intellectual capital in a dynamic network of knowledge-intensive relations inside and outside their borders. **Benefiting from the cross functional virtual teams beyond the organizations or countries are vital for SMEs. Applying virtual teams in SMEs could be a foundation of high-growth SMEs.**

Virtual teams give many advantages to organizations, including increased knowledge sharing and improve organizational performance. Virtual teams have altered the expectations and boundaries of knowledge worker's interactions and make a new opportunity to develop the business.

How SMEs should organize their employees and their business processes to get benefits from virtual teams. **Will it possible to get employees to contribute to virtual team as much as if they work together in the office?**

### Recruitment 2.0

Old and traditional (and many times inefficient) processes and practices are used to find and recruit talent. For instance, processes that just allow to find and chose between somebody who is currently looking for a job...Old practices filter candidates relying just in a few words in a CV, words about an standard name for an standard position that, in fact, in reality could mean a lot of different experiences, attitudes, projects, .. Many CV do not talk about the kind of person behind a professional title, interviews take time, and a conversation or two are most of times not enough. Digital reputation, on the other hand, could offer much more for an informed recruitment decision. One way to solve this very important challenge relies on the opportunities of datamining all information about prospects employees that you can find nowadays in Internet: websites and social networks as LinkedIn and others even more specialized by sector and industries, professional profiles, countries or regions, etc. etc. including those not related directly to professions but to hobbies or subject of personal interest but that still are able to offer information about skills, aptitudes, and interest of future employees.

### Virtual Teams

There is one great example of technologies for virtual team in big corporations like shell:

[http://oilit.com/2journal/2article/0205\\_21.htm](http://oilit.com/2journal/2article/0205_21.htm)

I can say from my experience and my colleagues, it works perfectly (I used to work in shell downstream company in kz). But I agree that there is still a challenge of motivation and cultural differences. And it mostly depends on the company's training system and on the leader of the team. SME could try to apply already established designs/standards of VT of large companies.

Here is some interesting links:

[www.netage.com/pub/books/VirtualTeams2.html](http://www.netage.com/pub/books/VirtualTeams2.html)

[www.noobpreneur.com/2012/05/29/4-steps-to-successful-virtual-team-building/](http://www.noobpreneur.com/2012/05/29/4-steps-to-successful-virtual-team-building/)

[www.netage.com/speaking/webcasts/NewLeading%20Virtual%20Teams\\_ppt/NewLeading%20Virtual%20Teams\\_ppt\[1\].pdf](http://www.netage.com/speaking/webcasts/NewLeading%20Virtual%20Teams_ppt/NewLeading%20Virtual%20Teams_ppt[1].pdf)

## Challenge 10: HOW TO FUNCTION AS A START-UP

Reviewing all challenges I realize in many cases main barriers to overcome them have to do with overcoming organizational cultural issues. These **cultural barriers are generally related to medium / big organizations. Small startups, on the contrary, are supposed to be much more capable to overcome these barriers and therefore truly innovate in a more efficient way.**

**So maybe the ultimate challenge for companies is about being able to function as a start-up even when they are not.** This is IMHO a very important challenge, **as in a way could help to overcome many of the rest ones.**

**On one hand, consolidate business can count on important resources** as experience, know how of many kind including markets knowledge, financial resources, a trusted brand, large human resources with a wide spectrum of skills and knowledge, chance to recover from failure, etc.. **On the other hand, small startups are organizations much more risks tolerant;** where is easier to get rid of red tape; much more able to have engaged employees, with more independence when taking decisions, responsibility, accountability and impact both at the product level and at the team level; where every decision and relationship are more pragmatic and less politic. Needless to say, startups work at a much faster pace than established companies, with shorter release cycles, as most startup cultures prefer agility and speed to cautiousness.

**So I wonder, what if a company could have the best of both worlds?**

### The Google Model

**Continuous innovation requires a new kind of people management. A strategic focus on people management is necessary because innovations come from people,** and you simply can't maximize innovations unless you are capable of recruiting and retaining innovators. And even then, you must provide them with great managers and an environment that supports innovation. **But making that transition to an innovative firm is problematic because most current HR function operates under 20th century principles** and practices.

Google is usually cited as an example of both, continuous great innovation and a great people management. Some years ago, I had the opportunity to interview Bernard Girard, author of the book **"The Google Model: A Management Breakthrough"** in which he explains that as Ford and GM created after WWII the large modern corporation, with its financial and statistical controls, mass production, and assembly lines, **today Google is reinventing business yet again-the way we work, how organizations are controlled, and how employees are managed.**

Here are the author's main points about the current Google management model:

- A **triumvirate management** that provides checks and balances, and a wider, more democratic information flow so that decisions

are made on the basis of more information.

- Every effort is made to **recruit the most qualified people.**
- Google allows employees to spend **20% of their time on a project not approved by the company.** They "trust" the employee to do something good for Google with this time, but leave much of the decision making to the employee. I would call this a form of employee empowerment.
- **Peer review is encouraged** (democratization of the work force)
- **Encourage innovation**
- **Be like a Swiss Army knife.** Try to make a complete tool set for most jobs.
- **Measure everything.** Develop mathematical formulas that model the real activity of the business, and monitor their outcomes on a regular basis.
- **Keep teams small.** This improves intra-team communication.
- **Create tools that allow teams and divisions to easily communicate** (think blogs, twitter-like apps, etc.)

### Lean Start-Up

One of the newest ideas on innovation is the concept of **"Lean Start-Up"**. "Lean Startup" is a **largely theoretical methodology that claims that startups can shorten their product development cycles by adopting a combination of business-hypothesis-driven experimentation, iterative product releases, and what it is called "validated learning"**. If companies, especially startups, invest their time into iteratively building products or services to meet the needs of early customers, they can sidestep the need for large amounts of initial project funding and expensive product launches.

Originally developed in 2008 by Eric Ries with high-tech companies in mind, the lean startup philosophy has since been expanded to apply to any individual, team, or company looking to introduce new products or services into the market. This new approach to innovation and prototyping include some new management concepts that have taken root very quickly. Here are the main ones:

- **Minimum viable product (MVP):** is the "version of a new product which allows a team to collect the maximum amount of validated learning about customers with the least effort."
- **Continuous deployment:** A process "whereby all code that is written for an application is immediately deployed into production," which results in a reduction of cycle times.
- **Split testing:** A split or A/B test is an experiment in which "different versions of a product are offered to customers at the same time." The goal of a split test is to observe changes in behavior between the two groups and to measure the impact of each version on an actionable metric.
- **Actionable and Vanity metrics:** Actionable metrics can lead to informed business decisions and subsequent action. These are in contrast to 'vanity metrics', measurements that give "the rosiest picture possible" but do not accurately reflect the key drivers of a business.

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