

YNOT Institute
Queens' College Cambridge



Working Paper

Rediscovering Capitalism

How Blue-Chip Builders Created Transformative Impact and Profit

Erik Simanis, PhD
IVE Ventures

Mohamed Khater, PhD
Institute for
Manufacturing, YNOT
Institute
University of Cambridge

Erika Palmer, PhD
Cornell University
Deputy Technical
Director,
International Council on
Systems Engineering
(INCOSE)

Jeroen Bergmann, PhD
Associate Professor of
Engineering Science,
Senior Research Fellow
in Engineering &
Entrepreneurship,
University of Oxford

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The events of the past years intensified a pervasive narrative that corporations—the torch bearers of capitalism—must be reimagined. To remain relevant in a world populated with purpose-seeking millennials motivated to address social inequality and climate change, companies must reimagine how they create value. To remain competitive in markets reshaped by Covid and disrupted by startups supercharged by venture capital, corporations must reimagine how they innovate.

Companies are swayed by this narrative. Working from the premise that they have no base on which to build a vibrant, sustainable future, reimagination efforts look outside the company for inspiration. To reimagine how to create deep societal value, corporations are emulating social enterprises and non-profits. To reimagine how to innovate, corporations are emulating startups and the accelerators and incubators that support them.

Imitation may be the sincerest form of flattery—but that doesn't make it a smart strategy. If history is our guide, the “social enterprise imitators” will preside over small, unprofitable businesses looking for grants to scale their impact, while the “startup imitators” will preside over money-losing ventures looking for internal champions to buy into a vision with no clear path to profitability. Both fail to deliver sustainable, transformative impact and profits because they target the wrong problem.

Social enterprise imitators underperform because they target *complex social problems*, like poverty, malnutrition, and global warming. Complex social problems, however, are not customer pain points around which a customer value proposition can be built. Nor is society a paying customer. And problems that can't be productized and monetized are not problems that businesses are capable of solving profitably, no matter how much patient capital is directed at them.

The number of examples of failed corporate social innovation projects are countless, with many efforts reinventing the same broken wheel. Consider Coke's Ekocenter project, Unilever's Suvidha Center project, and P&G's Kibera Town Center—projects undertaken within several years of one another with the goal of driving social impact in a sustainable way.

All three consist of some type of solar-powered center operated by local micro-entrepreneurs that provide various “good for you” products and services to improve the well-being of poor communities, ranging from flush toilets and hot showers, hand-wash stations, washing machines, purified water, mosquito repellents, hygiene products, renewable power, and even micro-credit.

All three were showered with media praise. All three, however, require concessionary capital—i.e., donor funding—as they are unable to generate enough profit to pay for their centers' high set-up costs. Despite aspirations to scale, all three have remained small: after more than seven years, Unilever has six community centers in Mumbai; P&G maintains one flagship center in Nairobi, Kenya; and Coke's Ekocenters, kiosk-size storefronts made from old shipping containers, were sited in approximately 150 villages across all of Africa.

Startup imitators underperform because they focus on solving the problem of *product-market fit*—that is, demonstrating demand for a new product. The greater the number of customers, the greater the presumed product-market fit.

The fixation on demonstrating customer demand comes from the near-universal adoption of lean startup—an innovation approach to new product innovation grounded in the belief that you don't know what customers truly want until they buy it. Lean startup's solution is to get into market quickly with a “minimum viable product” (MVP) and to test and iterate the offering using real-time feedback. Once you amass a lot of customers, only then do you truly engage with the question of profitability.

But when you design a new product primarily to appeal to customers with profitability taking a back-seat, it's almost certain the venture will import a “business model bottleneck.” A business model bottleneck is a key, but costly, activity in the conventional business model for making and selling a functionality that pushes up the price required for profitability beyond what target customers are able or willing to pay.

It explains why today's startups are the least profitable at any time over the past 50 years¹. Of course, startups and the venture capitalists that power them can still reap big returns despite tens, even hundreds, of millions of dollars of continuing losses, as they sell companies based on a multiple of their revenues. That's not an option for corporations, who need to see real profits.

Consider the case of a multinational food company that came to us for support, which we'll refer to as 'Delta' for reasons of confidentiality. Delta had launched a new “disruptive innovation” division to develop new lines of business centered around nutrition. The unit reported to the executive committee, was well-funded, and was staffed with experienced teams versed in lean startup.

One of their first ventures aimed to plug nutrition gaps in the diets of hundreds of millions of aspiring middle-class consumers across emerging markets. Based on extensive customer research, a single-serving packaged snack food containing nutrients formulated for kids was prototyped and rigorously tested in several flavors and package designs, and using different marketing messages. Children liked the taste, and moms said they liked that it was healthy. The product was sold through small retailers alongside other snack foods.

¹ For excellent overviews and analyses of the declining profitability of startups over the past decade, please see:

- i. Mackintosh, P. (2021) *What Happens to IPOs Over the Long Run?* NASDAQ Economic Research. Available at: <https://www.nasdaq.com/articles/what-happens-to-ipos-over-the-long-run-2021-04-15> (Accessed: 15 Nov 2021).
- ii. Funk, J. L. (2021) *Most Unicorn Startups Will Not Overcome their Losses*, Personal Blog. Available at: <https://jeffreyleefunk.medium.com/most-unicorn-startups-will-not-overcome-their-cumulative-losses-ecbe7133cf26> (Accessed 15 Nov 2021).
- iii. Funk, J. L. (2021) *Only 6 of 73 Unicorn Startups are Profitable, and None Did Recent IPOs*, Personal Blog. Available at: <https://jeffreyleefunk.medium.com/only-6-of-73-unicorn-startups-are-profitable-and-none-did-recent-ipos-287d5c7ac8d0> (Accessed 15 Nov 2021).

Within a couple of years, Delta had amassed tens of thousands of customers and sold several millions of units of product. But it had lost several millions of dollars—the unit economics weren't working, no matter what they tried. The reason was because there was a bottleneck in the conventional fast-moving, packaged snack food business model they used.

Regular fast-moving, packaged snacks, like potato chips, are effectively sold using low-cost, above-the-line marketing (e.g., television ads), as customers know what they're buying. Market prices and margins are constrained based on this. To work within this margin structure, Delta decreased the quantity of product in the pack, as fortification is costly.

But getting mass consumers to pay the same price for less product meant they had to understand the benefits of fortification, and to then eat the snack regularly enough to have a nutritional impact (three to four times a week). That required either a huge number of ads, or using costly, direct sales and marketing. While Delta could raise prices a little, it was nowhere near enough to absorb the high cost of marketing—the bottleneck in the conventional business model for fast-moving packaged foods.

After two years of effort, the venture was shuttered. In so doing, Delta joined the ranks of other multinational food companies that had followed the very same path.

To avoid yet another disappointing wave of efforts to reimagine the corporation, global companies need to draw inspiration from an unlikely source—their very own founders. From Milton Hershey and William Lever to Sam Walton, Phil Knight, and Steve Jobs, how these and other “blue-chip builders” thought about business impact and innovation reveals a path to transformative impact and sustainable growth that, today, has become hidden from view. The solution, in short, lies not in reimagining corporations, but in rediscovering them, and with it, the heart and soul of capitalism.

When you probe the histories behind the creation of today's blue chips, the original builders' views about business opportunities were refracted through two unique lenses: a *deep product impact lens* and a *business bottleneck lens*. The first lens provided clarity on why they pursued the opportunities they did, and the second on how they pursued them.

A *deep product impact lens* is grounded in the understanding that a company's products are its unique source of impact in the world—not its hiring, employee wellness, and sourcing policies, nor its philanthropy and outreach. Companies' products solve problems that governments' laws and non-profits' programs cannot. The more people that can access and afford a company's product, the greater its unique impact on society. The highest expression of deep product impact is the creation of a new mass market. That's why blue-chip builders were invariably driven by a profound sense of purpose, no matter the nature of the product—growth and impact were two sides of the same coin.

For Milton Hershey, it meant making milk chocolate an affordable indulgence for everyday Americans rather than a luxury for the wealthy. For William Lever of Unilever, it meant making his soap a part of everyday routines, thereby catalyzing a “hygiene revolution that would lessen work for women, foster health, and contribute to personal attractiveness.”

For Sam Walton of Walmart, it meant making a new retail format available to underserved rural populations, thereby “giving the world an opportunity to see what it’s like to save and have a better life.” Steve Jobs envisioned his Apple computer would be a gateway to a massive communications network “as remarkable as the telephone.”

A *business bottleneck lens* is grounded in the humility that “ideas are a dime a dozen” and that the reason the entrepreneur’s vision hasn’t already been commercialized by someone else is because there’s a fundamental flaw in how people are approaching the solution. The real work of innovation isn’t the hustle to expand and acquire customers—the visible stuff that today captures attention—but deep analysis of business models, homing in on the bottleneck, and then engineering a new, commercially viable business architecture. Because solving bottlenecks requires rethinking the entire business system, including the core product.

Henry Ford brought automobiles to the masses by eliminating the prohibitively high cost of hand-building each car using his assembly line—an approach that meant the car could no longer be a “horseless carriage” for leisurely travel, but instead a “horseless tractor” that functioned as a productive home asset. In order for Milton Hershey to bring chocolate to the masses, he had to eliminate the short shelf life of ingredients used in Swiss-made chocolate. That resulted in the innovation of a radically new production process using fresh milk rather than powdered milk—an approach that imparted a sourness to Hershey’s chocolate and resulted in the value proposition and brand being as much about nutrition as it was about confectionary.

A combination of a deep product impact lens and a business bottleneck lens attracted and enabled blue-chip builders to identify and solve one kind of problem in particular: *the business model bottleneck that prevented a large swath of humanity from enjoying the benefits of a functionality*.

It’s the one problem that sits at the intersection of transformative impact and sustainable growth. And it exists in every industry, in every product market, and at every moment in time. Phil Knight, the founder of Nike, saw such a problem in athletic footwear. Milton Hershey saw it in confectionary. Steve Jobs saw it in computing. Through a blue-chip builder’s lens, the future is “worth getting excited about”,² as the world is always full of new, purpose-filled growth opportunities.

This article is a step in refocusing companies and the wider capitalist community back onto the lost practice of *blue-chip business building*—that is, creating new businesses that birth new, mass markets delivering new functionalities into the lives of everyday people. To bring the deep product impact and business bottleneck lenses together, we’ve created the Product Impact, Growth and Innovation (PIGI) Matrix—a framework for thinking about the impact and growth potential of different business opportunities, along with the innovation challenge each presents.

² Musk, E. (2022) *A Future Worth Getting Excited About*. YouTube, uploaded by TED, uploaded April 17, 2022. Available at: <https://www.youtube.com/watch?v=YRvf00NooN8&t=226s> (Accessed 28 Apr 2023).

A Deep Product Impact Lens

Think of life before Whirlpool, GE, and Ford. Before Hershey's, Kellogg's, and McDonalds. Before Apple, American Express, Walmart, and Levi Strauss. Depending on your age, chances are high that you can recall moments where these companies' products intersected with your life in a meaningful way. As anthropologist Daniel Miller has argued, rather than being "lifeless stuff," products are critical ingredients from which people forge their identities, and nurture rich relationships with others³.

What blue-chip builders intuitively grasped was the unique impact created by a company's *outputs* compared to its *inputs*. All institutions—from governments, non-profits, to businesses—create multiple kinds of impact by virtue of their inputs. They all utilize people's knowledge and physical abilities, raw materials, and natural resources, public infrastructure, buildings and community spaces, and even cultural traditions. In so doing, they all contribute to employment, people's skill levels, health, ecology, cultural norms, and community.

Don't get us wrong, investing time and money into improving how companies manage inputs creates positive societal impact. It wasn't lost on blue-chip builders: Milton Hershey literally built the town of Hershey so that employees lived in respectable homes with a range of community services. Henry Ford's \$5 day salary, which more than doubled the going minimum wage, brought stability into employee's lives and enabled them to buy what their labor produced. But those were always understood to be the means, not the ends, of their businesses.

The greatest source of every institution's impact comes from the outputs that each produces—their *raison d'être*. Outputs uniquely aggregate the value from all inputs into solutions that can then solve unique problems. For government, it's the policies and laws they make; for non-profits, their social and environmental programs. Businesses' outputs are the products it makes and sells to customers.

A key point is that each institution's outputs solve problems that other institutions cannot. Governments' laws and policies can target the broadest social challenges head on—they can, with the stroke of a pen, address systemic, national-level problems requiring coordination among various actors, where the costs and benefits of any change are unevenly distributed. A minimum wage and benefits law to combat income inequality is an example.

Non-profits' programs can tackle tough local problems that are one-step removed from the broad societal issue. These problems require holistic solutions whose costs are greater than the pure economic value they create for a beneficiary. Think of an upskilling and mentoring program that helps former inmates transition back into society.

Companies' outputs—their products—are the most constrained. They have to target tightly bounded problems where a person or organization incurs a loss in their current routines that's greater than the cost of the solution. Because of this, the problems products solve will be more focused and further removed from a broad societal challenge. Think of

³ Miller, D. (2010) *Stuff*. Polity Press, Cambridge, MA.

a recruitment service that saves companies the time and money of finding good entry-level candidates (who will need to pay a higher minimum wage as set by a government law and may now include former inmates who have been trained and upskilled through an NGO program).

To be clear, solving problems further removed from a broad social problem doesn't decrease their impact. It's simply a different kind of impact, the same way that a marathoner possesses a different kind of athleticism than a power lifter. And the impacts of products do, ultimately, affect broader societal issues. The late Professor Hans Rosling explained in a TED talk that the washing machine—by freeing up women's time from household chores—played a significant role in advancing women's equality, as it allowed women to enter the paid workforce.⁴ It's why so many blue-chip builders sound quasi-messianic when they talk about their products—they can envision these positive externalities and the bigger play at hand.

That's not to ignore the very real “unintended consequences” and negative externalities of all products, not just the usual suspects of guns, alcohol, and cigarettes. Electric cars can devastate Congolese communities where the cobalt used in batteries is mined. Affordable credit can ensnare people into a debt trap.

Negative externalities, however, come with every institution's output, including those of NGOs and governments. And it's also true of interventions on the input side – re-directing sourcing to be more inclusive or sustainable means someone at the original supplier may have lost their job. It's a reality that the authors of, “The Limits of the Sustainable Economy” eloquently unpack⁵. So, while we're not excusing the negative externalities, it doesn't diminish the unique impact that companies have through their products.

[A Business Bottleneck Lens](#)

Blue chip builders as recent as Nike's Phil Knight and Bob Bowerman—who, in 1964, launched the shoe company that became Nike—operated at a time when money to grow a business came from scrupulous banks in the form of loans, not from venture capital funds taking equity whose investment model assumes most of its startups will fail.

Getting money from banks meant profitability was a *requirement for growth*, not the result of it. It's no coincidence that when Nike went public in 1981 with sales of \$450 million, it was generating profits of \$25 million annually. And the company had been profitable throughout a seven-year rapid growth phase preceding the IPO, when sales started at \$14 million and doubled each year. The same is true for Apple and Microsoft.

⁴ Rosling, H. (2010) *The Magic Washing Machine*. YouTube, uploaded by TED. Available at: https://www.ted.com/talks/hans_rosling_the_magic_washing_machine?language=en (Accessed 28 Apr 2023).

⁵ Mayers, K., Davis, T., and Van Wassenhove, L. N. (2021) The Limits of the 'Sustainable' Economy. *Harvard Business Review Online*. June 16, 2021. Available at: https://hbr.org/2021/06/the-limits-of-the-sustainable-economy?utm_medium=email&utm_source=newsletter_daily&utm_campaign=dailyalert_actsubs&utm_content=signin_nudge&deliveryName=DM137311 (Accessed 28 Apr 2023).

The pressure to be profitable from the start forced blue-chip builders to be critical of their own idea. They couldn't adopt today's lean startup mindset that "*a startup is an organization formed to search for a repeatable and scalable business model.*"⁶ Turning a blind eye to forces that undermined profitability meant the business would crash on takeoff. They had to confront the central question of, "if my idea is so good, why isn't someone already selling it profitably?" That question would have forced a deep reflection on the "conventional" business model and the bottleneck it harbored.

Because in the case of almost every blue-chip builder, the "functionality" behind their product concept was already in market: engine-powered automobiles, chocolate confectionary, computers, hand soap, running shoes, and loans were all being profitably sold before Hershey's, Ford, Apple, Unilever, Nike, and Grameen Bank arrived on the scene. The problem was that they were sold to wealthy or niche markets—there was a business model bottle neck that kept them from being affordably sold to mass markets.

A business model bottleneck "sits" in one of two places—in operations used to make the product, or in operations to convince customers to buy it. Henry Ford's bottleneck sat in the first category, as did Milton Hershey's. The way cars were conventionally made required skilled, "artisanal" labor, which was costly and drove up the cost of production. Milk chocolate, at the time, had to be made with powdered milk—an ingredient that spoiled quickly and led to a short shelf-life. The short shelf like would require "just-in-time" distribution to keep product from sitting on shelves long. That would have been extraordinarily expensive at the time—both in terms of labor and transport.

Apple's bottleneck sat in customer adoption. In the 1970s when Apple was founded, in order to use a computer, the user had to learn a computer language, such as "Basic" and "DOS." That meant taking a class or doing a lot of studying. Convincing the "mass market" to buy a computer would, therefore, take an enormous marketing push—high touch activations, giveaways, promos, and so forth. All of which would drive up the customer acquisition cost and, with it, the price. Apple's genius wasn't in "hearing the voice of the customer," but in eliminating the bottleneck: by "gamifying" the operating system's user interface, they eliminated the need to learn a computer language.

The cost gap created by bottlenecks is too big to solve through efficiency gains. To put that into perspective, a hand-built car in 1900 cost upwards of \$1,500—three to five times the price needed to reach the mass market.

To reach a mass market, the bottleneck has to be eliminated entirely. That requires a completely new business architecture—a new way of productizing a functionality such that it can be made, sold, and delivered profitably.

Consider Ford. The interchangeable parts around which Ford's assembly line was built required a completely "optionless," standardized car. The value proposition had to shift from "travel in style and comfort" (for the wealthy, cars were customized, statement pieces driven by their chauffeurs) to a "farmer's car"—a productive asset that helped support the

⁶ Blank, S. (2012) *What's a Startup? First Principles*. January 25, 2012. Retrieved from: <https://steveblank.com/2010/01/25/whats-a-startup-first-principles/> (Accessed 28 Apr 2023).

family. To give credence to that value proposition, a key feature was the ability to remove one of the Model T's wheels and, using a belt and pulley, to charge an electric generator that could power farm equipment, including a threshing machine, saw, or water pump.

Credibly selling the functionality of a car as a tool also meant the sales channel had to provide training in how to drive—mass market customers were using horses, whereas existing wealthy customers had chauffeurs. The franchised dealership—which took on the job of teaching customers how to drive—became a key part of the business model.

The assembly-line method of manufacturing also required custom tools—40 thousand in the case of the Model T. Selling a lot of cars was required in order to cover the significant capital expenditure. Cost leadership was critical to maintaining a dominant market share. Ford chose the dark-pigmented baked enamel coating called “Japan Black” for the model T because it dried the fastest and resulted in the lowest unit costs—not because customers preferred black.

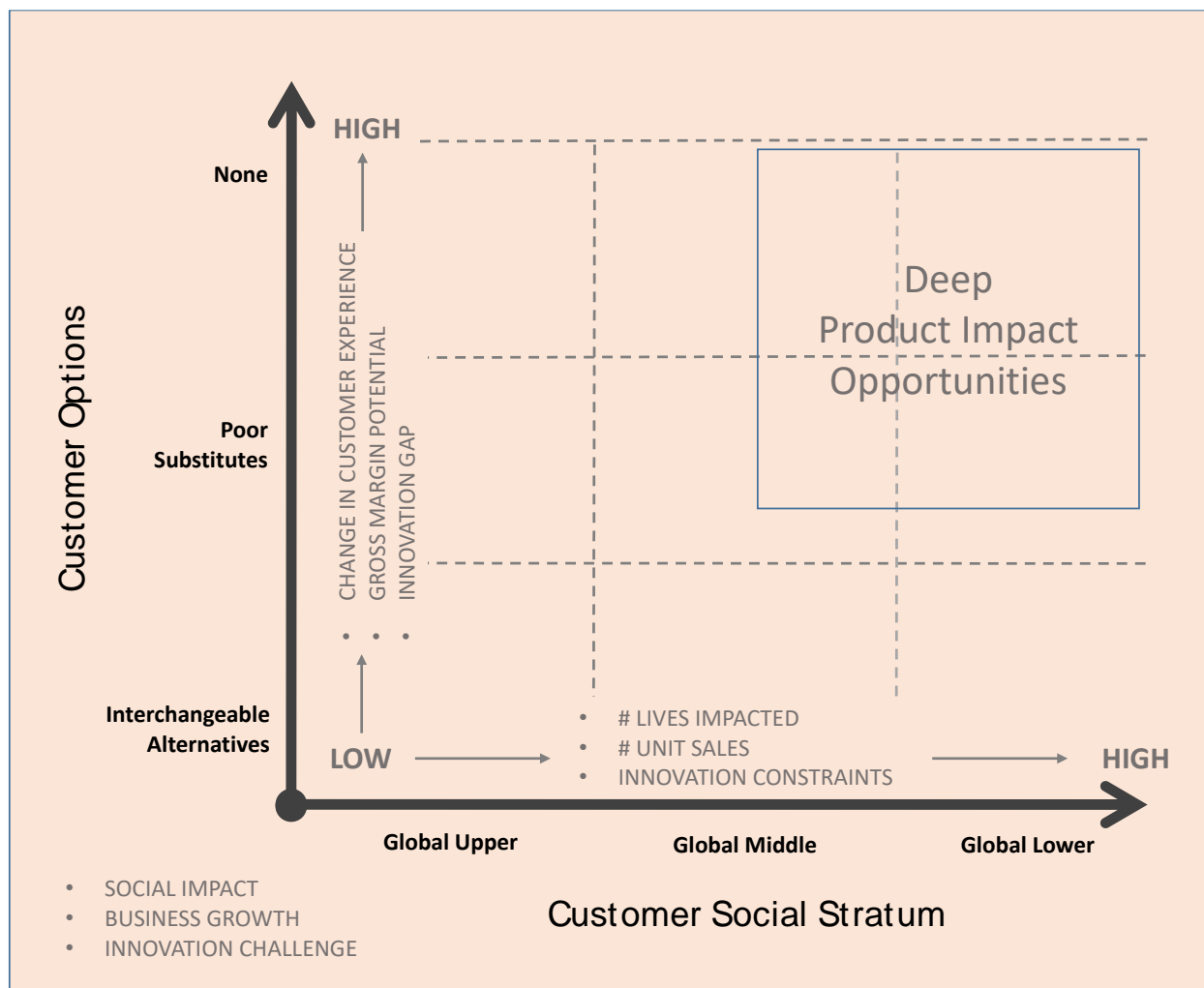
This new business architecture innovated by Ford became the “master recipe” from which other aspiring auto startups could craft their unique business models and compete with one another to provide ever greater value to this new customer group. It's how today's thriving auto market was born, and why 92% of US households can afford to own at least one vehicle.

Seeing Opportunity like a Blue-Chip Builder

To help companies think about opportunities like their founders, we've developed the Product Impact, Growth, and Innovation (PIGI) Matrix. The PIGI maps new opportunities from the company's point of view and the functionality (the basic utility) they want to bring to a customer group. The opportunity spaces are differentiated by their impact on customers and the bottom line, together with the business innovation challenge that accompanies them.

A new product opportunity's profile is determined using two axes. The x-axis is the customer social stratum that a new product aims to serve, and the y-axis are customers' other options for a functionality. As you move up and to the right, impact on customers and the business “deepens,” along with the innovation challenge.

Deep product impact opportunities—those in the upper right of the PIGI matrix—are ones that transform the customer experience for millions of people, open up new and large avenues of growth, and require the creation of new functionalities and business architectures capable of eliminating business model bottlenecks under the most challenging of circumstances. It's where blue-chip builders plied their craft.



Customer Social Stratum

A person’s social stratum reflects their wealth and the surrounding business infrastructure—the stuff every business uses as part of its business model. Business infrastructure includes physical infrastructure, like roads and cellular networks; technical infrastructure like payment technologies and cold chains; and social infrastructure like literacy and educational levels.

People can be divided into three main social strata: global upper, global middle, and global lower. Global upper are the highest earners and are surrounded by the most advanced infrastructure. Global middle are the blue collar and middle classes and live within a modern infrastructure. Global lower are the working poor and low-income classes. The business infrastructure here is low quality and largely informal.

The social stratum targeted is a key determinant of products’ “opportunity profile” because it determines the size of the total addressable market and sets the constraints within which a business model has to perform. The former establishes how many people’s lives can be made better—i.e., the *quantity of impact*—as well as the size of the business growth opportunity in terms of the *quantity of unit sales*. Global upper stratum holds the fewest

number of people globally, so the potential unit sales and number of lives impacted is lowest, while the opposite is true of the global lower stratum.

The latter determines the *degree* of the innovation challenge faced. Having an advanced business infrastructure means companies have a wide range of effective and efficient options for making, delivering, selling, and getting paid for their product. Tesla can market its luxury cars with precision using streaming services, television and movies, online newspapers and magazines, social media, and urban showrooms; it can accept payment in cash, electronic check, direct debit, credit cards, wire transfer, and even bitcoin. The opposite holds for the global lower strata, where cash is often the only way to transact, and poor connectivity and illiteracy make targeted marketing unrealistic.

A key implication is that products created to profitably bring a functionality to one stratum are unlikely to work for another—each requires a unique business architecture. While the functionality of credit can be sold to global upper stratum in the form of an unsecured line of credit offered through a personal financial advisor, to profitably reach global middle stratum, credit will take the form of a home equity loan extended via a bank’s loan officer. To extend credit to the global lower stratum, micro-finance institutions make peer-group loans—loans given out to a group of people who are collectively responsible for repayment.

Customer Options

“Customer options” reflects the alternatives available for doing the same “job” that a company’s product lets them do. Customer options fall in three categories: interchangeable alternatives, poor substitutes, or none.

When customers have “interchangeable alternatives,” there are other products in the market that provide the same functionality at an equivalent level of quality and performance. Apple’s recent iPhone 14 would fit here—while it undoubtedly holds impressive new features, customers can get a Samsung or Google smart phone with an almost identical customer experience. For that reason, we call these “served markets.”

In the “low-quality substitute” category, customers have other product options they can turn to, but the way the substitutes work results in a significantly lower quality of customer experience. Pawn shops, for example, are a means of accessing credit, but how they provide credit is a poor substitute when compared to the ease, convenience, and cost of a credit card. For that reason, we call these “unsatisfied markets.”

The third possibility is that customers have no options to get a functionality. We call these “unimagined markets.” Before Fit Bit’s wearable technology to track and analyze daily biometric data like sleep patterns and steps taken, customers had no way of accessing that information.

A customer’s options for a functionality shape a new product’s *quality* of impact on people’s lives, the *margins* it can command, and the *depth* of the innovation challenge the company is faced with.

The quality of impact—what Elon Musk calls the customer utility delta⁷—deepens as you go from “high competing” to “none,” because customers’ *relative experiences* to achieve an outcome undergo a significantly greater change.

A new product for served markets, because it doesn’t change the customer’s core experience, creates “Value Impact”—improved features that bring customers better value for their money. A new product for “unsatisfied markets,” because it introduces a significant change in customers’ experience in getting a job done, creates “Leapfrog Impact.” And with unimagined markets, where an entirely new functionality is brought into customers’ lives—something which enables a new customer experience altogether—generates “Transformative Impact.”

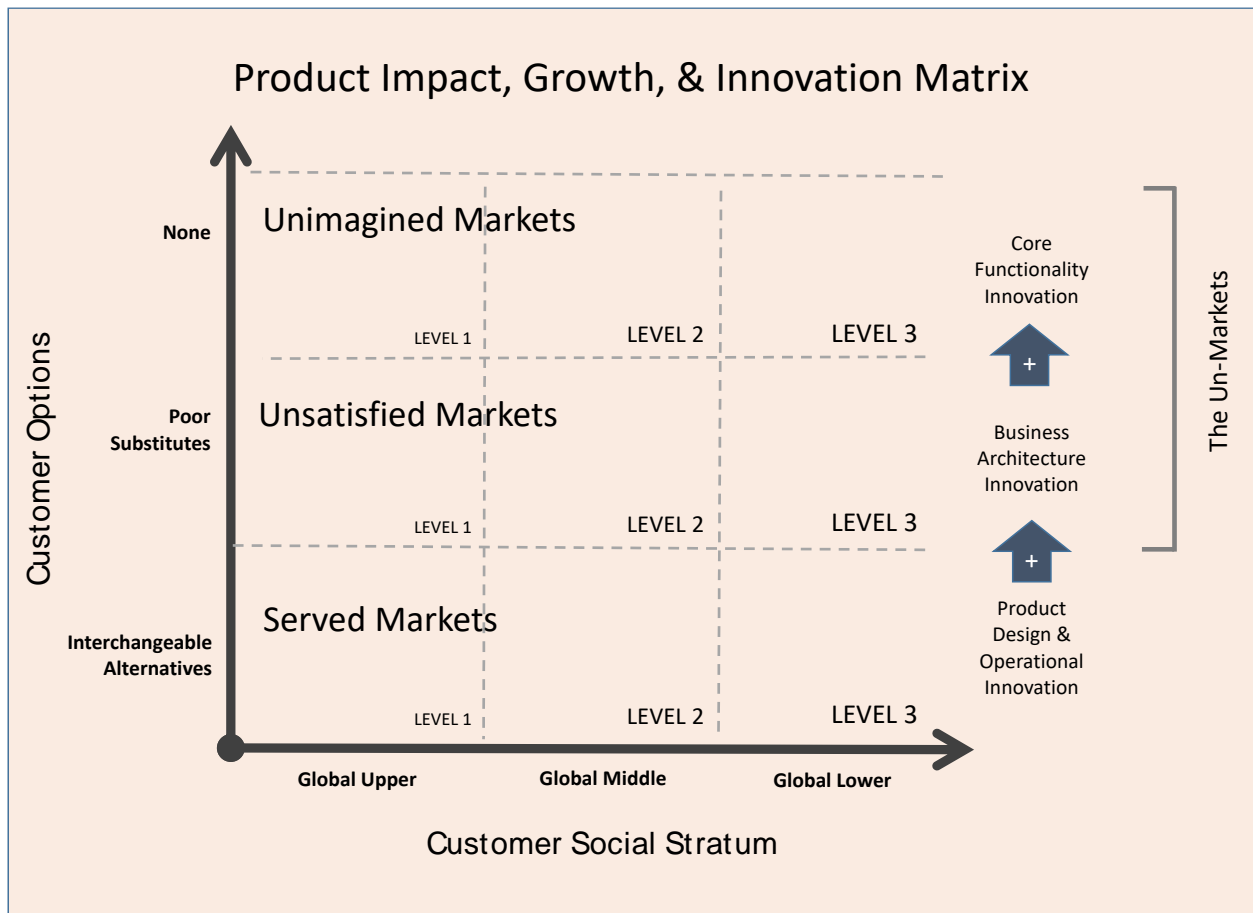
The change in customer experience also proxies for value created. The more value a product creates, the higher a price it can command, which creates the potential for significantly greater margins. It’s why every business fears commoditization and tries to differentiate itself, even in served markets. When customers experience little difference among product options, the only thing left to compete on is price, resulting in lower and lower margins. Entirely new functionalities creating transformational change are the ultimate in differentiation.

The presence or absence of alternatives and substitutes for a company’s functionality also signals the *depth* of the innovation challenge that exists. In served markets, there already exists a commercially viable business architecture for getting a functionality into customers’ hands. The innovation gap is simply product design married with some operational optimization—i.e., translating insights about customers’ current routines into new and better features providing ever greater customer value. Design thinking and lean startup are the right tools here.

In underserved markets, no one has yet figured out a business architecture for profitably getting an existing high-quality functionality to a less affluent group of customers. A business model bottleneck exists. Once a new business architecture is created, the product and operational design challenge still awaits.

In unimagined markets, where the functionality itself is likely new-to-the-world, the innovation challenge deepens even further to include proving out the new functionality. For example, when Safaricom envisioned what was to become mPesa—a venture launched in Kenya in 2007 that let people store and transfer money through a mobile phone—the functionality itself didn’t exist, not to mention the business architecture. Basic technology R&D was required to first determine whether the functionality was feasible.

⁷ Musk, E. (2017) *Elon Musk on How to be Most Useful*. YouTube, uploaded by Y Combinator, uploaded January 9, 2017. Available at: <https://www.youtube.com/watch?v=Om5XuTbXP1U> (Accessed 28 Apr 2023).



Combining the three social strata with the three customer alternatives generates nine product opportunity quadrants. The new product opportunity with the lowest impact on society and business growth are those targeting the Global Upper strata who have interchangeable alternatives available—the “Served Markets, Level 1” quadrant. But it’s also the opportunity presenting the lowest degree of innovation challenge—so it takes less time and money to get started.

The new product opportunity with the highest impact on society and business growth are those targeting the Global Lower strata who have no way to access a functionality—the “Unimagined Markets, Level 3” quadrant. The innovation challenge here presents the highest degree of difficulty, and with it, the greatest amount of time and investment capital to solve.

The deep product impact lens attracted blue chip builders to the middle and lower strata of the two “un-markets”—the unsatisfied and unimagined markets where leapfrog and transformational impact was to be had, and business growth potential was at its greatest. Their business bottleneck lens allowed them to see the key problem that rendered those markets unsatisfied and unimagined in the first place and to invent the new, commercially viable business architectures that would ultimately catalyze new, global markets.

Building Back Cathedrals

The decade leading up to the Covid pandemic has been filled with a cacophony of critiques about corporations' role in society. The gist is that capitalism's survival demands that companies focus on more than just profits and shareholders.

What blue-chip builders show us is that this pitting of profits and shareholders against impact and stakeholders has always been a false dichotomy. Purpose, impact, and mutual value are precisely what attracted, inspired, and compelled them to innovate the new businesses and, ultimately, the new industries that they did.

As Phil Knight wrote, *"...when you add some new thing or service to the lives of strangers, making them happier, or healthier, or safer, or better, and when you do it all crisply and efficiently, smartly, the way everything should be done but so seldom is — you're participating more fully in the whole grand human drama."* The same sentiment was recently expressed by Apple's former chief design officer, Jony Ive, in a remembrance of Steve Jobs. Reflecting on Job's underlying motivation, Ive commented that Jobs *"truly believed that by making something useful, empowering and beautiful, we express our love for humanity."*

The best way, then, for corporations and capitalism to move forward in the 21st century is to rediscover the art of blue-chip business building. Blue chip builders believed they were building cathedrals rather than simply laying bricks because they looked at business opportunity through a deep product impact lens. And they successfully erected those cathedrals because they used a business bottleneck lens.

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YNOT Institute

Queens' College Cambridge

ynot@queens.cam.ac.uk | www.ynotinstitute.org

