

Entrepreneurial Pivoting

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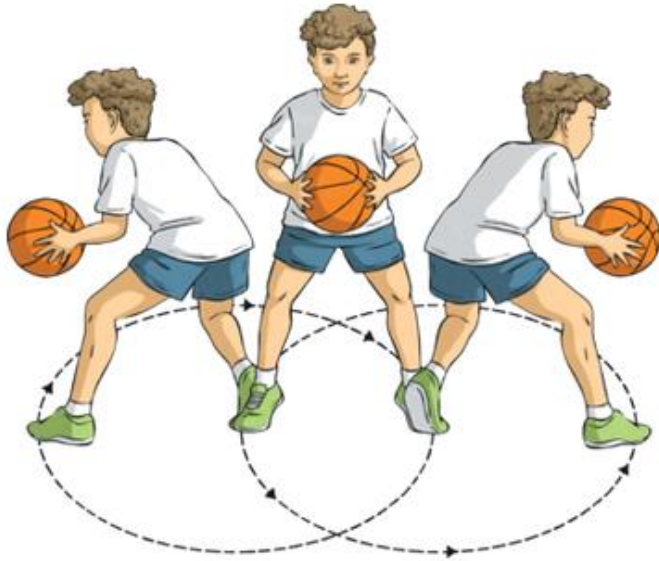
What would you do?

- **What would you do when you hit a wall in your business?**
 - Continuing with what you have done so far
 - Selling the business
 - Going bankrupt
 - Changing the direction of your business



What is pivoting?

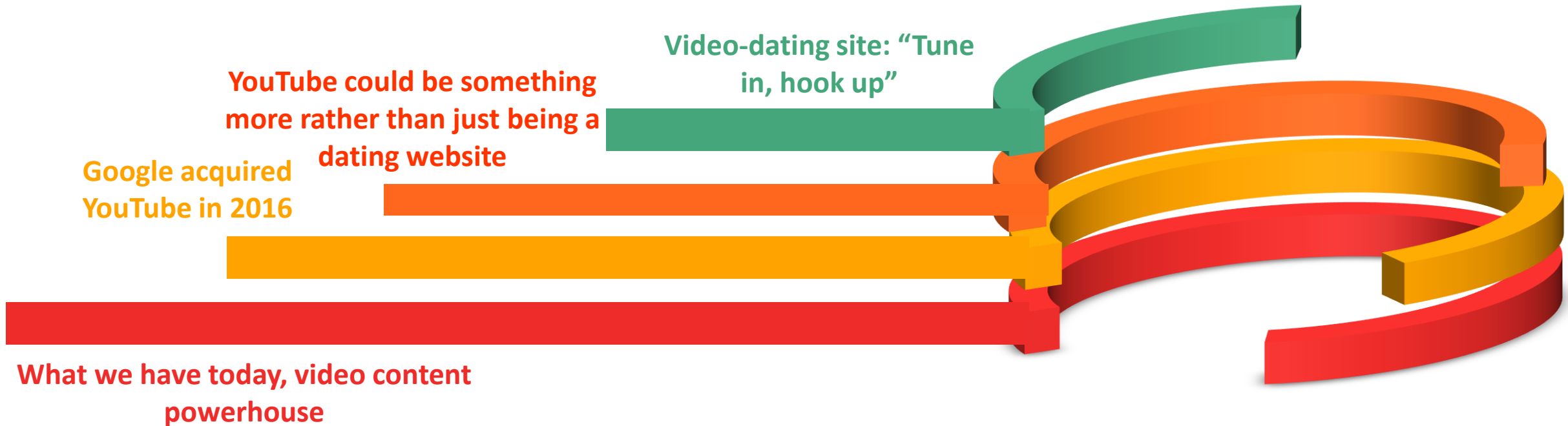
Ries (2011): “a strategic change, designed to test a fundamental hypothesis about a product, business model or engine of growth.”



Ries (2011) believes pivoting encompasses both continuity and change with a metaphor of pivoting in basketball “one foot rooted in what we’ve learned so far, while making a fundamental change in strategy in order to keep greater learning” .

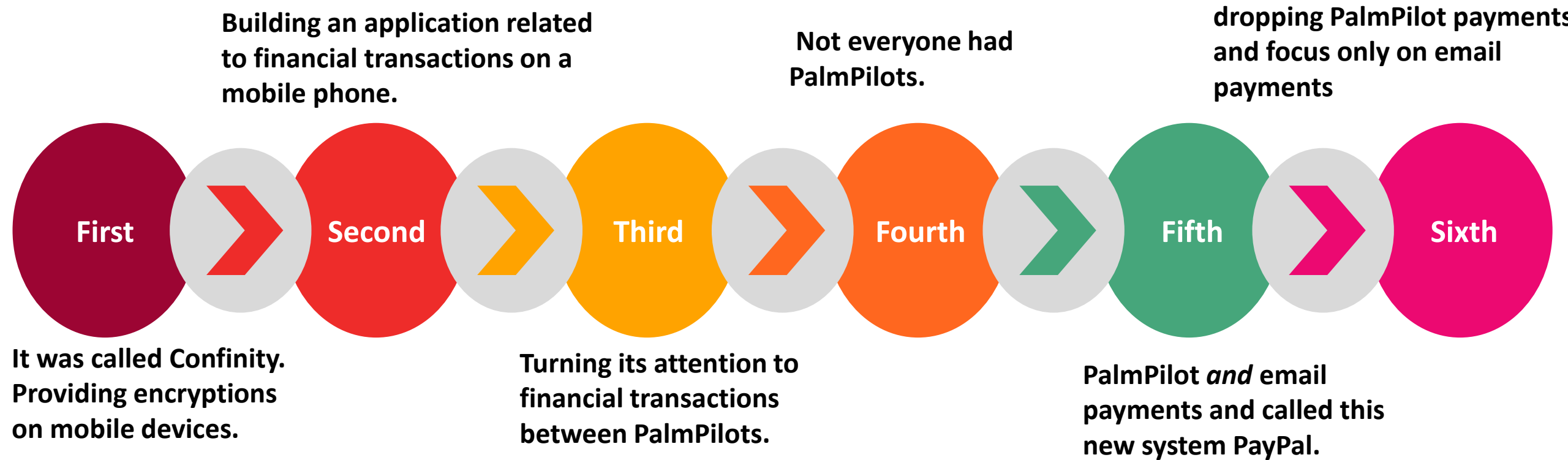
Examples/YouTube

video-dating site with the slogan, “Tune in, hook up,” and was designed to be like the video version of “Hot or Not.” This idea didn’t take off—even when they tried to pay women \$20 to put videos on the platform.



Examples/ PayPal

- It has taken a meandering, customer-focused approach to pivot.






What is pivoting and what is NOT?

1. Changes in relational commitments: alterations in entrepreneurs commitments to themselves (their identity) and their stakeholders.
2. Changes in temporal commitments: alterations in the temporal length of their actions and complicating the sequences of actions.
3. Changes in different components of a business model: alterations in value proposition, cost structure, revenue structure, customer orientation, partnerships, resources, and products/services.
4. Changes should not be aligned with the continuation of the past.
5. Exogenous or endogenous shocks or opportunities trigger the change.

8 components of pivoting



-  Changing relationships with stakeholders, suppliers, providers, customers.
-  Changing the temporal sequence of actions and milestones, postponing the pre-planned activities.
-  Changing organizational cultures, products, services, and brands.
-  Changing the the key tangible/intangible resources that have been planned prior.
-  Changing target customers, adapting to the new needs of customers, changing the price of products/services.
-  Changing customer payment plans, fixed menu vs. dynamic pricing.
-  Changing cost structure, changing economic approach with regard to economies of scale and scope.
-  Changing direct and indirect channels.

Pivoting: Not a second best strategy

- **Be prepared for the unplannable**
 - Do you have back up options?
 - Are you mainly reliant on specific customers?

“Our initial plan was to go into making athletic socks, but the demand for wallets absolutely smashed the demand for the socks. We had to cancel a 5,000-piece order from China because it wasn’t going to be worth our time,” Bauer continued. Still, “We’d kept enough reserve cash on hand to absorb it,” she said. “Our alternative ideas were already at least a little developed. *All we had to do was lean into them.*”

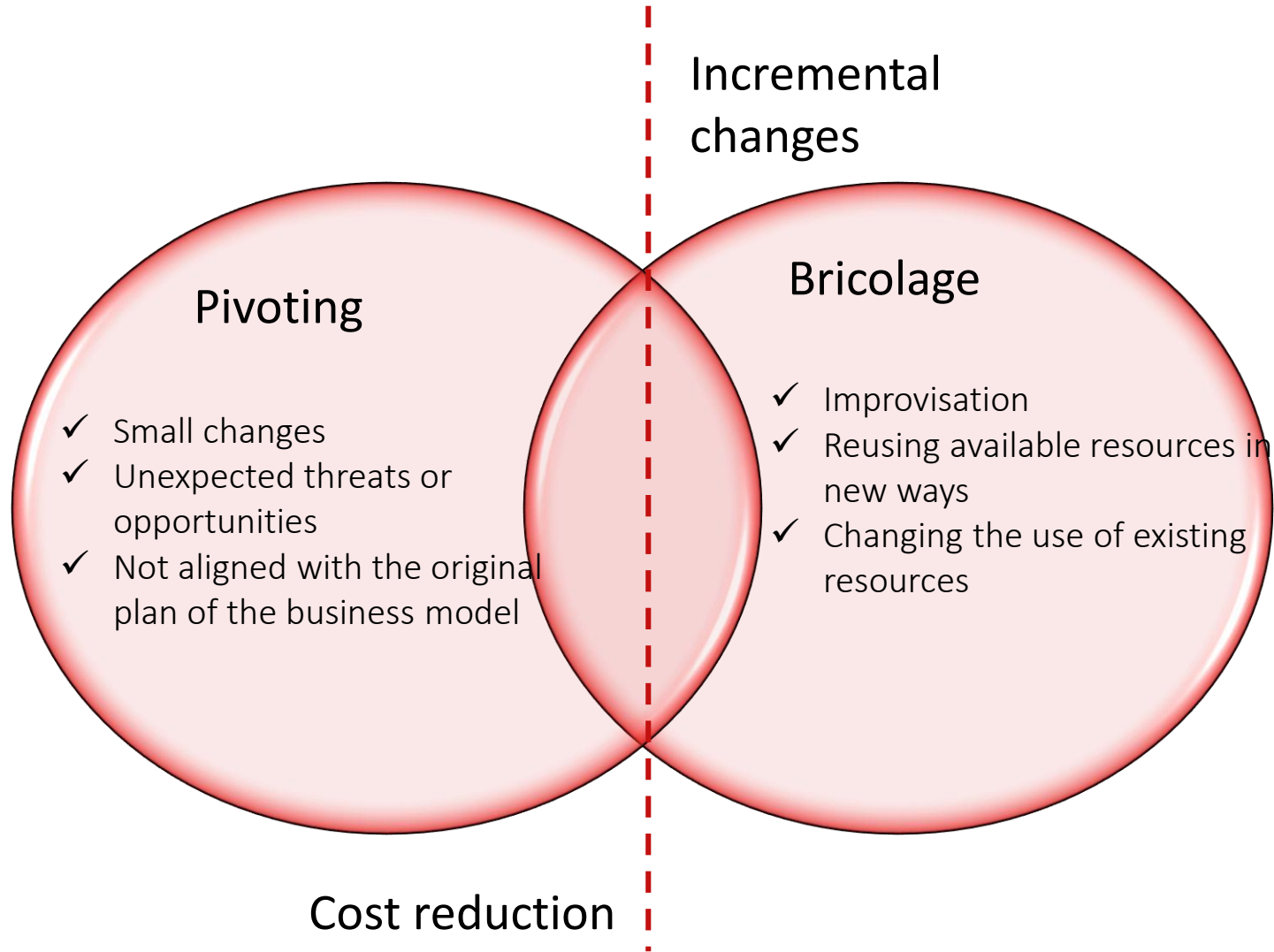


**McKenzie Bauer,
co-founder of
Thread Wallets**

Pivoting: Not a second best strategy

- **Make a decision quickly**
 - Do it as early as possible to not waste your time, energy, and money
 - Spend more time solving the issue rather than talking over the problem
- **Do not scrap what you have done so far**
 - Pivoting is not necessarily about radical changes (e.g. restaurants and cargo-only flight pivoting during pandemic)

Pivoting with available resources



Activity (Spotify)

Tactics Components	Eliminate	Reduce	Increase	Create
Relational commitments				
Temporal commitments				
Key activities				
Key resources				
Value propositions				
Revenue model				
Cost structure				
Channels				

Activity (Airbnb)

Tactics Components	Eliminate	Reduce	Increase	Create
Relational commitments				
Temporal commitments				
Key activities				
Key resources				
Value propositions				
Revenue model				
Cost structure				
Channels				

Activity (BestBuy)

Tactics Components	Eliminate	Reduce	Increase	Create
Relational commitments				
Temporal commitments				
Key activities				
Key resources				
Value propositions				
Revenue model				
Cost structure				
Channels				

Activity (Fitness Companies)

Tactics Components	Eliminate	Reduce	Increase	Create
Relational commitments				
Temporal commitments				
Key activities				
Key resources				
Value propositions				
Revenue model				
Cost structure				
Channels				