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**Governance
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**Directors'
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**THE SMALL BUSINESS
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**Making room
for millennials**

**Small businesses
need to be resilient**

**The annual IoDSA
Reputation Survey**

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Robert Louw, Director of
Innovation at Prefrontal Constructs

Successful unsustainable business models

It may seem like an oxymoron that a business model that is short-lived can be successful. Most people in the innovation space aim for business models that are sustainable, scalable and side-step disruptive threats. I want to show you another way: how you can embrace the ephemeral to get what your business really needs. What if a business model is designed to serve one single objective of huge strategic importance?

Here are three real-world examples of how temporary business models can enable global success.

When Airbnb started up, back in the day when it was crazy to stay in the house of a foreigner you met online, Airbnb needed money. The company could not afford to demonstrate their experiment until the market believed in it. They needed money to generate revenue, but no one would fund them unless they showed they were making money.

After first racking up serious credit card debt, Airbnb's founders set up a temporary business. They used their online marketing skills to sell cereal. Yes, they repackaged and rebranded cereal. The idea was originally for a promotion: they would send complimentary boxes of cereal to Airbnb hosts to offer guests. This idea morphed into a \$40,000 business. They charged \$40 per box of limited-edition cereal (for the 2008 US election) and sold 1000 boxes. It was totally unsustainable and exactly what they needed to keep going.

Besides financial objectives, temporary business models can also be used to achieve learning objectives. Consider, for example, Tesla Motors' first business model. The company used the intellectual property of Lotus Cars and AC Propulsion to create its

first car, the Tesla Roadster. Thanks to these partners, Tesla could get major parts for their first car and defer some development costs, like safety testing costs. At the same time the pre-orders for the car created the cash flow for the company to develop key capabilities, like manufacturing capabilities.

This business model was completely unscalable, but it facilitated learning. Tesla's temporary structure enabled them to overcome the learning curve of making electric cars.

The last example of a temporary business model is Nike's We Run campaign. From one perspective it looks like global races sponsored by a shoe company. From another perspective, We Run is an unscalable and unsustainable business that serves the sole objective of engaging customers.

In 2012, Nike arranged a We Run event in Johannesburg. The entire experience was designed by Nike: the race entry fee included a cool Nike shirt for runners to wear in the hot sun; the company arranged a route through Sandton and Alexandra, with the aim to inspire more people to run in public spaces.

It was not to sustainable for Nike to give a free shirt with every race ticket. Yet, the company did achieve the objective of engaging existing and prospective customers. Seven years later I still see people running in public with those Nike shirts from 2012 and I bet that short-lived venture is still benefiting sales today.

These examples show unsustainable and unscalable business models can indeed serve strategic objectives. Perhaps the reason is simply that some strategic objectives are temporary and therefore the business models that achieve them effectively can also be temporary. 



"...Unsustainable and unscalable business models can indeed serve strategic objectives."

