How to systematize business creation: The case of Europe’s largest aerospace company

EADS (the European Aeronautic Defence and Space Company) is Europe’s largest aerospace company, achieving a turnover of €49.1 billion in 2011 with 133,151 employees. EADS operates in stable industries such as aerospace and defense and security systems with relatively long product life cycles. Due to the exceptional structure and format of the aerospace industry, cost leadership needs to be taken into consideration, but is not the company’s key objective.

Resulting from an increased competition and reduced or at best stable budgets in governmental markets, the company opened up to increase potential solutions and create new businesses, based on an internally acknowledged and widely applied “EADS Business Model Innovation Framework” (see Enkel et al., 2012). This framework and process was established in 2010 and since then, has been promoted via a bottom-up approach across several EADS divisions.

Based on the elaborated framework, two major ways of conducting business model innovation at EADS can be described. On the one hand, individuals or teams sit together in so-called “Business Model Idea Creation Workshops” to perform brainstorming sessions in a guided and systematic way. In such workshops, the teams emphasize the creation of disruptive ideas, and set up novel potential business concepts by neglecting problems regarding the feasibility in a first step. In this context, an established business model manual helps the teams to discuss the most important aspects with respect to business modeling. In so doing, the creation of new business concepts and business models can be accelerated within the distinct EADS business divisions.

On the other hand, EADS conducts “Business Model Elaboration Workshops” in which already existing business ideas are elaborated within interdisciplinary, interdivisional and even intercultural teams. Usually, a middle management jury has already approved the business ideas, since they frequently stem from a company-wide ideas competition. In order to systematically build a working business model around such business ideas, the “Business Model Elaboration Workshops” provide the necessary structure.

To offer an adequate workshop frame, the Walt Disney Method delivers the basic structure for these “Business Model Elaboration Workshops.” The Walt Disney method is a classical role play in which one or more individuals are invited to view and discuss a specific topic from three different perspectives: the visionary, the reviewer and the idealist. Due to the fact that such a workshop helps to build on an already existing business idea, some general conditions are already set.

In the “visionary” phase, an interdisciplinary group of employees brainstorm with respect to the already defined business idea. Criticism is not permitted during this phase allowing all kinds of ideas to be presented. In order to structure the brainstorming session to some extent, the established “EADS Business Model Innovation Framework” serves as template to frame an idea. The employees can write all their ideas on sticky notes and attach each one to the suitable business model component within the framework. For instance, one sticky note might consider a specific convenience or customization aspect which could be allocated to the model’s value proposition component. Another sticky note might specify a partner without whom the new business model could not survive. This partnership should then be allocated to the component called partner network. Before delving into the next phase, all ideas shall be presented in the group.
“A mediocre technology pursued within a great business model may be more valuable than a great technology exploited via a mediocre business model.”
Chesbrough, 2010

In a following step, the group examines all ideas from the “reviewer” perspective. Now for the first time, criticism is allowed and all ideas (sticky notes) are critically discussed. In order to again provide the necessary structure, changes, adaptations as well as opportunities and threats are written down on customized “Business Model Elaboration Cards”. After having filled in the cards, they can be allocated to the “EADS Business Model Innovation Framework” to generate a full picture.

In the final phase, the “idealist” phase, all elaborated ideas are viewed again. Now, the group must select the most relevant business model component aspects to prepare the “sales pitch” corresponding to a short presentation in front of the top management. This final step is important to focus on the most relevant business model characteristics, when trying to sell a new business model idea. Furthermore, the group creates a timeline with milestones serving as a first draft of the new business model launch.

It is clear that all three phases are equally important, as the quality of the “sales pitch” as well as the preparation for critical questions finally decide
about the continuation of a potential business model. EADS has realized that providing a great business model with a specific technology is at least as important as the technology itself (Chesbrough 2010). Thus, specific EADS divisions have already started to systematize the application of these “Business Model Elaboration Workshops.” Apart from the described workshop organization, the EADS Nursery Fund – attached to the EADS Corporate Technical Office – also applies this structured approach for elaborating its disruptive innovation projects.

At a glance – 
Summary

| Employees shall be incited to work with the established business model innovation framework (both individually and in teams). |
| It is necessary to create a solid innovation culture and adapt a firm’s incentive system towards new business creation approaches. |
| The bottom-up communication and persuasion should not be underestimated with respect to introducing new innovation methods. The employees need to realize the added value of the novel business creation approach themselves. |
| The utilization of a workshop structure and the integration of creativity methods (e.g. Walt Disney Method) might help a firm to guide the business creation process and to guarantee a good structure. |

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Further readings
