



Disruption Disciples Whitepaper #01

Modular Business Architecture as Banking Use Case

Stefan Lettig / David Bundi / German Ramirez



Summary

We have entered the age of disruption in the banking industry. To build and maintain competitive advantage, it is necessary to understand the concept of disruption. Whether it is new-market or low-end disruption taking place, appropriate responses must be undertaken. In recent years, the banking industry has faced its share of troubles. New FinTechs and other technology-based service providers continue to appear, threatening established banking business models. Facing such challenges, what kind of solutions exist for the banks? History suggests that affected industries would be wise to cope properly with disruption, and adopt appropriate measures and strategies that will provide new avenues for growth. Easily said, isn't it?

The following whitepaper elaborates on a modern modular business architecture as a use case in banking by illustrating associated concepts of disruption and concludes with a showcase named s24/7.

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Introduction

There is much concern about disruption and transformation these days. Entire industries are facing upheaval and are being reshaped. If you and your company have an established business, you are probably already involved in some kind of project or taskforce looking into how someone new will be entering your industry/market and eating your lunch. And you are right. Because no matter where you are and what your business is, someone out there is getting ready to challenge you for it.

Banks are not immune from these issues. If anything, the banking industry has been written about more than most in recent years as a prime candidate for disruption. But what does it really mean for established banks to be disrupted? What are the risks they are facing? From what “disruptive angle” will new players appear and break the industry apart/open? Will it be Apple, Google, Facebook or even a FinTech or a couple of FinTechs? Will it be a startup based in a small garage? Will it be a breakthrough technological discovery? No one can really say. It may be any or all of the above or perhaps even some other new development that no one has thought about yet. Nevertheless, two things are clear: firstly, disruptions to the banking industry have already begun, and secondly, there are a few likely threats and possible strategies for how banks might face the challenge of disruption and come out of it as winners.

In this white paper, we will investigate the concept of disruption that is already affecting banks today and how it can be managed in appropriate way. We will look at low-end and new market disruption, and how these affect a bank. The challenges facing banks are discussed, and a comparison of modular- and interdependent architectures and how and why a platform business model can be an alternative is illustrated.

As a concrete example, we have sketched a hypothetical showcase called service 24/7 (hereafter s24/7), an imaginary banking firm. We are going to use it as an inspiration for examining current disruption in banking and how this turmoil can be confronted with established concepts of disruption, modular architecture, a platform business model, appropriate strategy and the skate for proper investment.



I. Disruption

An accepted definition of disruption is a process in which a smaller company with fewer resources successfully challenges well established companies. As incumbents focus on improving existing products and services for their current consumers, they tend to overserve the needs of some segments and neglect the needs of other segments.

New market and low-end disruption

New market entrants cause disruption by successfully targeting those sub-optimally served segments by delivering more suitable functionality and/or providing a solution at a lower price. Thus, this new market disruption (Figure 1) competes against non-consumption, consumers who previously lacked the money or appetite to buy and use the product.

New market entrants disrupt by successfully targeting those missed segments in acquiring a foothold through delivering more suitable functionality and/or providing a solution at a lower

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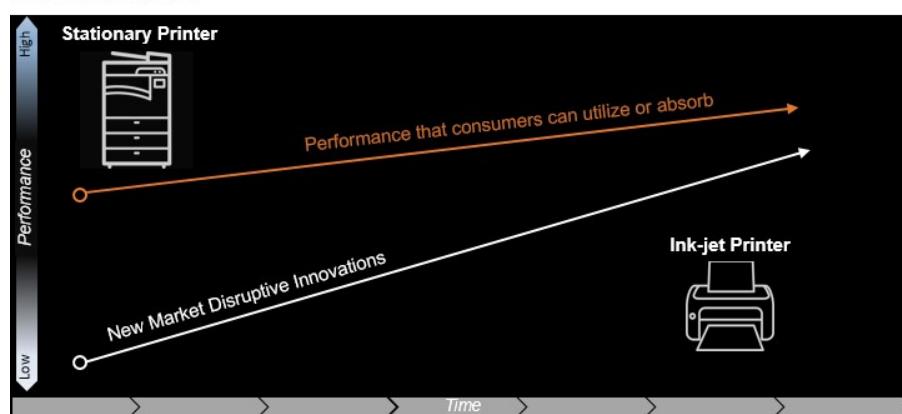
Target performance:

Lower performance in traditional attributes, but improved performance on new attributes, i.e., simplicity and convenience

Target market:

Consumers who lacked the money or skills to buy the product

Business model must make money at a lower price per unit sold



Source: Christensen, C., Raynor, M. and McDonald, R. (December 2015)

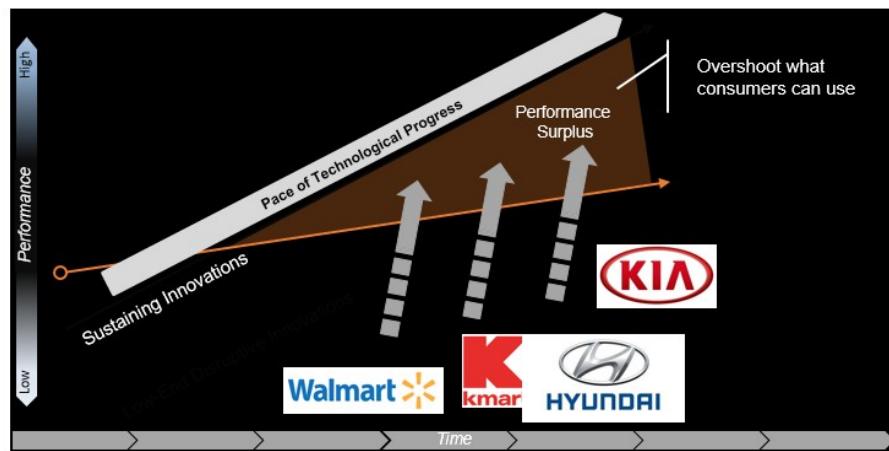
Figure 1: New Market Disruption

Entrants might well provide lower performance in traditional attributes, but improved performance in new attributes, typically simplicity and convenience. They target market segments that are not currently consuming and provide a new measure of performance that might be '*just good enough*'.



For example, Xerox focussed on serving large companies with photocopying technology, charging high prices to provide the performance their consumers required, and ignoring the market segment for households and small businesses. In the 1970s, new market entrants created a new market by introducing personal copiers at an affordable price for these segments. The business model of a new market disruption makes money at lower price per unit sold, and at unit production volumes that are initially small. Hence, margins per unit sold are significantly lower. In low-end disruption (Figure 2), entrants provide performance that is 'good enough' along the traditional metrics of performance at the low end of the mainstream market and target overserved consumers. In this scenario, the incumbents focus on their most profitable and most demanding consumers with ever-improving products and services, and pay little attention to less demanding and/or less profitable consumers.

- **Do not create new markets**
- Provide performance that is 'good enough' at the low-price segment
- Disrupter moves up market, attacking the next lowest margin segment in the market
- This process continues until the low end disruption has captured the whole market



Source: Christensen, C., Raynor, M. and McDonald, R. (December 2015)

Discount Retailers, 'Just Good Enough' Cars

Target performance that is 'good enough' along the traditional performance at the low-end of the market

Target market: Overserved consumers at the low-end of the mainstream market

Business model: Utilizes a new operating or financial approach or both to earn attractive returns at a discount price required to win business at the low-end of the market

Figure 2: Low-End Disruption

The consequence is that the overshoot in performance requirements for less-demanding consumers opens the door to a disrupter, who initially focuses on providing these low-end consumers with a 'good enough' product. The business model utilizes new operating and/or financial venues, earning attractive returns at discount prices to be able to win market-share at the low end of the market.



For example in the automobile industry, producers with an integrated value-chain initially dominated the market with quality cars with respect to performance and reliability. As the industry improved, new market entrants with a modular architecture attacked the market from below, offering 'just good enough' cars for the low-end market. With time, these new market entrants moved up the market, sequentially targeting consumers who were looking for more sophisticated cars. Thus, the new entrants' cars became more than 'just good enough', disrupting the incumbent. When industries mature from interdependence to modularity, a performance surplus emerges and specialisation in a particular modular component can present an opportunity for new entrants to disrupt existing market structures. Entrants, once established in the low-price segment, may move upmarket, serving the performance mainstream consumers are looking for and obtaining advantages that ensure their success. In this setting, incumbent companies compete by optimizing functionality and reliability to improve the interdependence and integration of its products and services, which are 'just good enough' for what consumers need, i.e. performance that consumers can utilize and absorb.

It should be said that low-end and new market disruption is the outcome of a single and unified strategic framework. This framework is based on the premise of an improvement in product performance outpacing the performance that mass market consumers can utilize. The performance measure can be related to any attribute valued by the mass market in relation to reliability, user experience or any other characteristic. This framework's validity and generalizability have yet not been tested rigorously. Individual cases may not always lie exactly within this framework's conditions and predictions. Rather, the framework of disruption can be thought of as a tool to provide warnings of possible future trends, but it is not a substitute for rigorous and careful analysis.

Challenges in banking

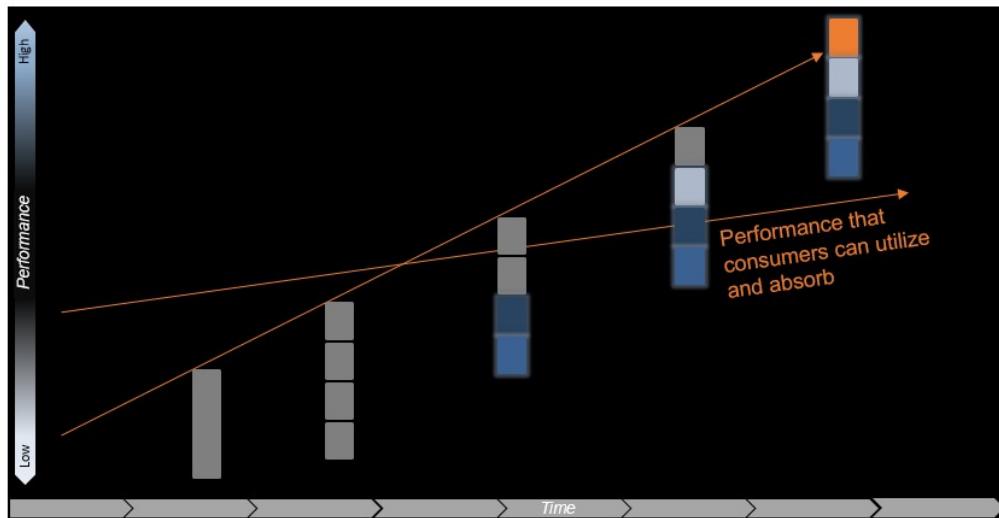
In today's banking industry, products and services are generally 'good enough' for the average consumers for which a performance surplus is created, so an incumbent's option to compete is by being fast, flexible and responsive at a lower price.

The incumbent needs to skate to components where the most value is created and captured, because that is exactly where they are most likely to be attacked by new entrants. The question for an incumbent bank is how the banking industry is being modularized and which component(s) the incumbents need to focus on. In this setting, the incumbent must follow a specialized strategy to be able to increase its rate of innova-



tion for individual components. Therefore, opting for a modular architecture (Figure 3) may be a beneficial strategy as it allows products to be launched faster because individual subsystems can be upgraded without having to redesign an entire system.

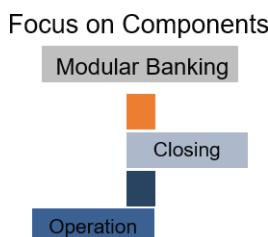
- If products & services are 'good enough' for the average consumers for which a performance surplus is created, a firm's option to compete is by being fast, flexible and responsive at a lower price
- Be specialized, being successful at one piece (component) of the system



Source: In imitation of Christensen, C., Raynor, M. and McDonald, R. (December 2015)

Figure 3: Modular Architecture

The incumbent bank doesn't need to deliver the full value chain, but rather can specialize, being successful at one piece (component) of the system (Figure 4). Overall functionality is 'good enough' for the average consumer's needs and competition is now based on speed to market, convenience and/or price.



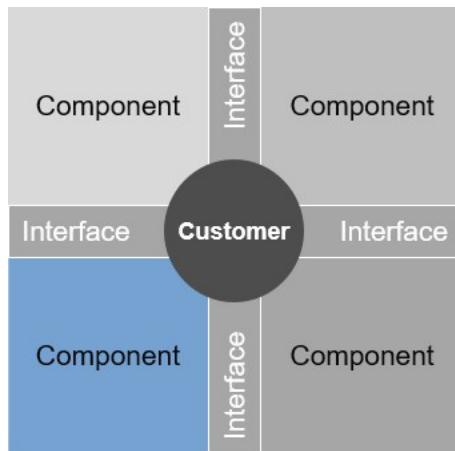
Source: In imitation of Christensen, C., Raynor, M. and McDonald, R. (December 2015)

Figure 4: Modular Banking Components



Traditionally, banks had to provide a complete service chain. To get a loan required integrated components of lenders, lawyers, service representatives, collectors, etc., thus leading to a vertically forward integrated product model. As banks improved at the bottom of the market, a set of actors appeared who were not integrated, but modular. For example, one actor might focus on closing the loan while another actor would operate and service the loan. Large banks, being heavily forward integrated, are left focused on very complex and non-standard deals. In this scenario, margins are adequate to cover the costs, while the actors at the bottom of the market are improving the definitions of how the components fit together. It's important to understand how the process of modularity lowers the barriers to entry into a market.

This is the turning point when disruption appears. Incumbents can be disrupted by individual focused suppliers (specialized in single elements of the value chain) providing specialized components. Interfaces are built within products and services (components), as well as between stages in the value-added chain. As the interfaces which describe how individual components fit together become standardized, modularity and disruption come into effect (Figure 5).



Modular Architecture:

- Standardized components
- Standardized interfaces
- Optimized for price, speed
- Often outsourced
- Rapid adoption
- Expands industries

Figure 5: Modular architecture based on components with interfaces



This is the point at which an industry starts to disintegrate. Since “an organization cannot disrupt itself” (Christensen, 2013, p. 198), disintegration for a forward integrated incumbent is nearly impossible. The reason is that organizations “can only *naturally* prioritize innovations that promise improved profit margins relative to their current cost structure” (p. 198).

New performance-defining components

Through modular architecture, products and services become ‘good enough’, allowing disrupters with specialized strategies to be successful, by serving single elements of the value chain very well. These modular experts have lower cost structures because they don’t need to incur the interdependence cost overhead. As a result, they can compete on price and still retain margins. The consequence is that as a growing number of disrupters enter the market and commoditization occurs, profits decline. Thus, incumbents need to find both new sources of profitability and a new performance-defining component. This is the component in the value stack that offers the functionality consumers care most about and where the most profits can be made.

Examples of new performance-defining components

- **Payment:** Further integrated consumer functionalities reduce differentiation opportunities for financial services companies.
- **Deposits and Credits:** Alternative payment methods will tighten data transfer and have influential effects on traditional mediators, e.g., mobile payment, integrated settlement, stringent payment processing, mobile money and P2P transfer. Alternative credit platforms change solvency checks and the acquisition of capital, which reduce margins between deposits and credits. The appearance of specialists with components adapted to consumers disrupts incumbents. Examples are P2P financing, analytics-based solvency checks, virtual banking and mobile banking.
- **RegTech:** The power of comprehensive end-to-end RegTech solutions - which are based on the understanding of regulation as a strategic dimension - with the aim to ensure compliance and enable new business insights and opportunities (e.g. via data-analytics, Machine Learning and Natural Language Processing), is one of the most transformative examples encountered across all highly regulated industries.
- **Portfolio Management:** Demanding financial services are improved via automated services. These are algorithm-based analytics, competition between banks, social trading, automated servicing via chatbots and robo-advisors.



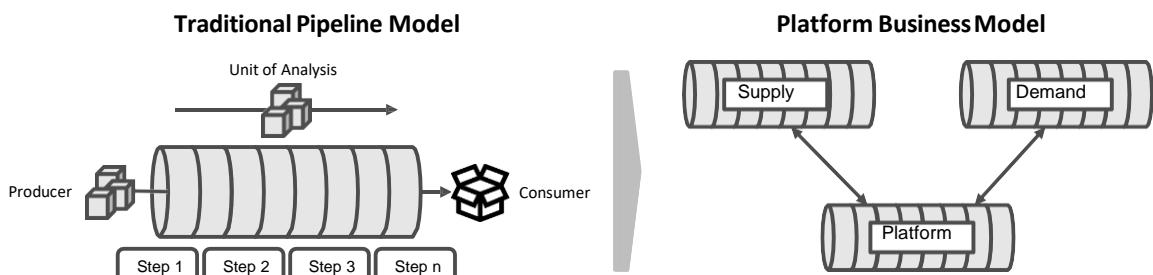
- **Market Supply:** Trade based algorithms offer intelligent responses and fast reaction time for real-life events. New information platforms improve connectivity between market participants, fostering market liquidity and accessibility. Big data provides access to real-time data and market insights, artificial intelligence improves and automates trading, algorithms and machine learning automate news-feeds, platforms based on network effects foster interactions between buyers and sellers. Standardization through platforms enable buyers with standardized data points to evaluate sellers much more efficiently, while platform-based data gathering, and analytics provide buyers and sellers with an improved foundation for decision making.
- **Crowd-Funding** enables a better process of fund-raising, e.g., platforms that provide a marketplace in which investors can find investments and co-invest with peers, or platforms with customized parameters, which can be easily altered by companies to ease investment options.

Overall, a traditional vertical forward integrated bank doing everything in the market has no future, because a firm cannot excel at everything while at the same time remaining agile and providing products and services to consumers at low cost.

New entrants focusing on excelling in one element of the value chain, are operating in an interconnected market and collaborating with other focused players. Thus, the whole becomes less efficient than the sum of its parts, where each part is a firm focussing on providing only one component very well, and being compatible with the components offered by other providers through common interfaces.

Platform vs. traditional pipeline business model

A traditional business model functions as a pipeline, in which the value flow is linear, and the producer owns the pipe and adds value to it by controlling the entire process.

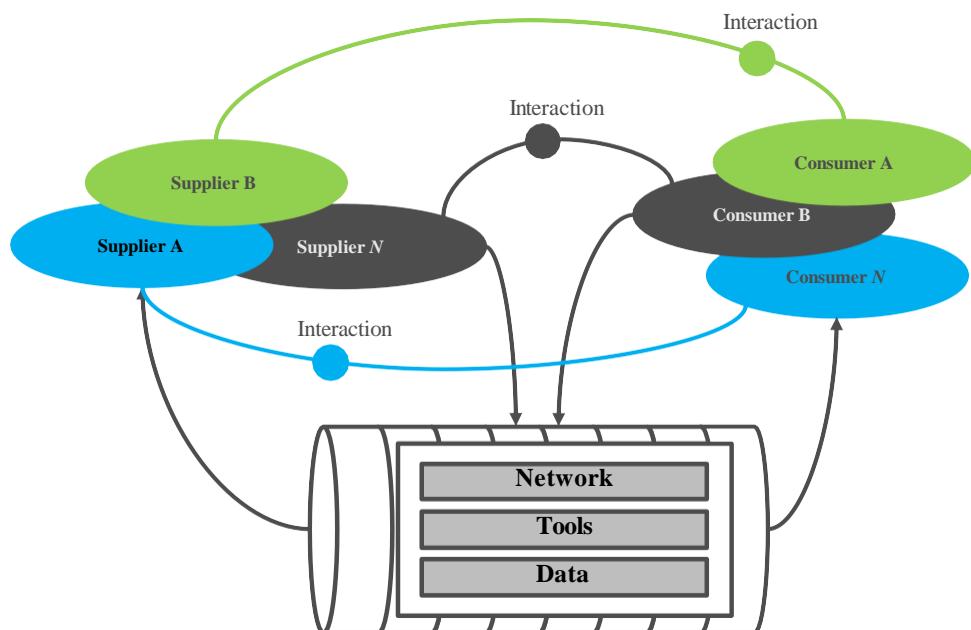


Source: Parker G.G., Van Alstyne, M.W., & Choudary, S.P. (2016)

Figure 6: Platform business model



Here, value is accumulated from one stage to the next, focusing on the efficiency of the supply chain and containing minimal network effects. In a platform business model, the flow is based on network matching and the producer's role is distinct from the platform itself in curating and controlling movements (Figure 6). As illustrated in Figure 7, the architectural model is to provide a platform on which various actors (suppliers and consumers) can 'network' with each other. The platform also provides 'tools' to suppliers and consumers to be able to interact and exchange value with each other.



Source: Parker G.G., Van Alstyne, M.W., & Choudary, S.P. (2016)

Figure 7: Platform business model with its core elements

The platform uses the gathered, mined and analyzed 'data' to make the best matches that generates the highest value for the actors. The platform provider carries the hosting overhead costs necessary to enable various components to enrich the platform, but these costs can be absorbed by extracting value through charging component providers fees. The ecosystem governance defines who makes the decisions within that system, e.g., participants invitation, division of value and conflict resolution. The ecosystems structure is determined by the role of the platform hub and the course set by the firm dire-



ting the ecosystem. Two types exist: 1) extended enterprise structured as an integrator and 2) platform markets structured as platform hubs.

Even though regulation, governance and security are very important aspects of platform business models, in this paper we focus on elaborating the platform business model as a possible strategy for confronting disruption and interdependent versus modular architecture with its accompanying conceptual approaches. Topics such as regulation, governance, security, operation management and handling and the concrete buildup of such a platform business models architecture, technology and processes may be the subject of subsequent papers.

Decomposition and Modularity

Through decomposition, a platform can break form and function down into components. A decomposed platform architecture allows dependencies among evolving components of ecosystems to be minimized, which fosters variability and change. Clear interfaces are key to successfully optimizing and ensuring connectivity between components. The “secrecy” of a modular architecture is ensured through loose coupling, while openness is assured through interface standardization. Such interfaces, including “Application Programming Interfaces (APIs) must contain just the right amount of details so that they do not expose the internal design of the component” (Mistrik et al., 2019, p. 144). In return, APIs should also not be too detailed in order to prevent changes to the underlying applications requiring corresponding adaptations in APIs (Bosch and Bosch-Sijtsema, 2010). The authors further explain that tight dependencies can be reduced through adequate decoupling, resulting in the reduction of ripple effects from one component spreading throughout the development effort. On one hand, the purpose of the design should be to share information that is related to the interfaces, and on the other hand to hide information that is a proprietary function of a platforms core (Tiwana, 2013). Tiwana (p. 108) suggests the following five rules in defining an ecosystems architecture functionality included in the platform’s core:

- High-reuse functionality resides inside the platform
- Generic functionality resides inside the platform
- Both the core code-base and interfaces should be treated as inseparable parts due to their long lifespan
- Stable functionality resides inside platforms
- Experimental or unproven functionality with high uncertainty resides outside the platform

Overall, the success of a platform depends upon a maintainable and modular design.



Interfaces

The product or service architecture include interfaces for developers that define the design rules critical to the overall ecosystem (Baldwin and Clark, 1997; Bosch, 2010). It is important that any new interface design must provide enough and useful functionality to developers. Efficient decoupling fosters the release of new product versions so that they can be launched without impacting externally developed applications. Therefore, any interfaces must evolve predictably and remain backwards compatible. This can be achieved by defining narrowed-down interface specifications, allowing for minimal interdependency, such as web service or API interfaces (Bosch, 2009; Bosch and Bosch-Sijtsema, 2010). To develop appropriate and successful interfaces, architects should possess predictive capabilities.

II. Showcase s24/7

As an illustration of how disruption can affect banking, we present a hypothetical showcase which can either focus on one component, i.e., a product or service (App) or a platform, offering component providers and consumers space and compatible interfaces on a platform. Because an incumbent cannot disrupt itself, alternative strategies must be considered. To reach new growth opportunities, an incumbent choosing to specialize in one modular component may offer it to customers or establish an ecosystem based on a platform business model that allows external specialists to leverage their components on the platform, which is usually based on a modular architecture.

This can be accomplished either by disintegrating, by forming a new independent business unit, or by starting a green field company. In this way, the incumbent can use market entrants as a source of disruptive power, rather than considering them a threat. The best alternative is to found a new company, which would either focus on providing one component, e.g., payment, transaction, product or service, etc. or follow an approach based on the idea of an ecosystem platform business model strategy as its reference design. In this paper, we follow the idea of an ecosystem platform business model strategy. The hypothetical company in this example is called 'service 24/7' (s24/7) being a "one-stop-shop" solution as shown in Figure 8 with its various components.

The new company will provide a platform technology that will allow market entrants and players to join the platform with their specialized components, being immediately compatible with other components from other specialists through standardized interfaces. Modularized and disintegrated categories and components through Customer Network



and Social Media Platforms allow for integration to 3rd party transactions and processes and legacy systems at lower Total Cost of Ownership.

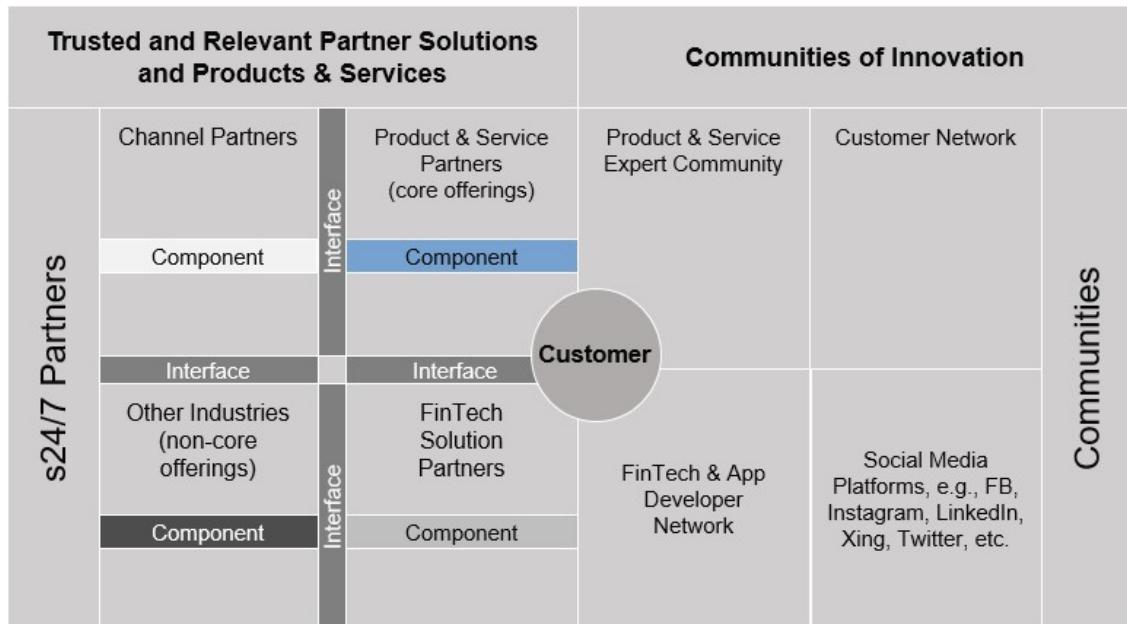


Figure 8: s24/7 modular ecosystem platform architecture based on components with interfaces

This provides s24/7 with an architecture that allows for a seamless exchange of information across its categories and components both vertically and horizontally within the value chain instead of operating in silos. Thus, data exchange and analytics are executed in real-time and across components via interfaces. Real-time data about experiments, consumers and feedback are available for immediate amendments. Communities on the platform foster knowledge sharing and learning to further support s24/7's innovativeness, and social media platform presence encourages traction (i.e., more players joining the platform). Figure 9 illustrates how value is created. There are two important parts to value creation in a platform business model. One is the monetary and the other the is the non-monetary aspect, the network effect (i.e., viral distribution).

This map indicates how s24/7 receives money directly from consumers using Apps and indirectly receives value for sharing Apps in the network (multiplicator) through social interactions. Consumers receive Apps, products and services, networking tools, interaction possibilities and content, etc. from s24/7. FinTech's on the other hand provide



Apps and receive money from and in turn provide consumer stickiness (repeating usage of Apps) to s24/7.

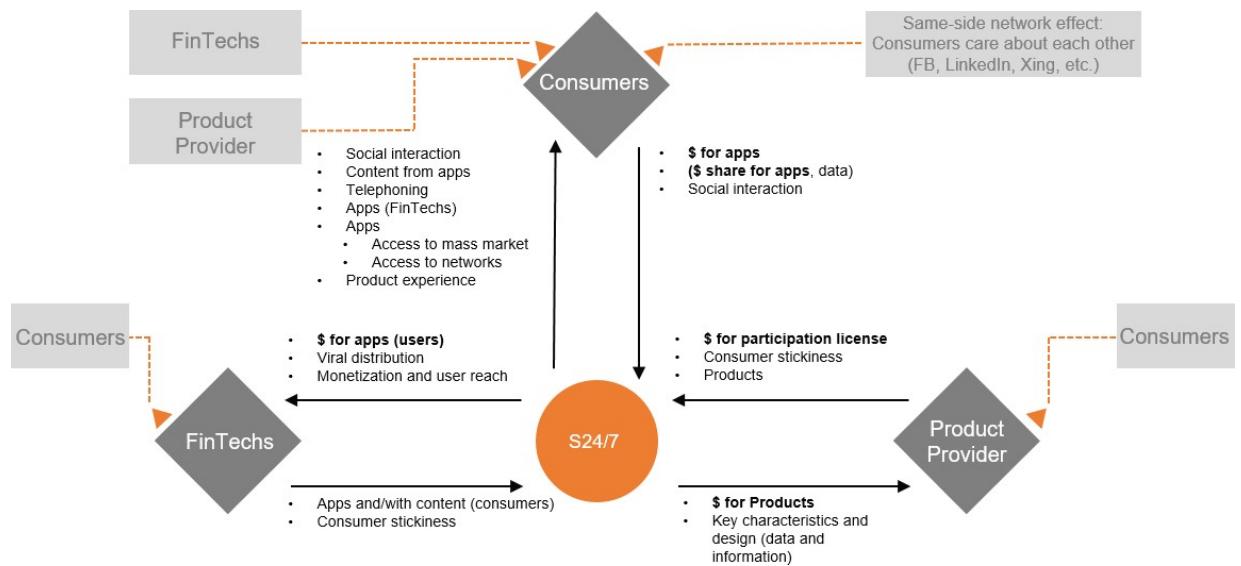


Figure 9: Platform business model map and value creation

Source: In imitation of Rogers, D.L. (2016)

Product and service providers receive money and data from s24/7. In turn, product and service providers pay participation license fees for their Apps and products, and for service distribution on the platform. They support s24/7 in terms of consumer stickiness for repeated usage.

New market and low-end market disruption

With existing products and services included on a digital and modular basis, a price segment which is below that of the incumbent's market can be approached through a platform business model. In this scenario, overheads and other costs are carried by component providers. Incumbents will not approach this market (low-end disruption), because they cannot compete on this price level. As a very recent example, a free robo advice service is simple but 'good enough' to ensure that the investor's money is used to buy financial vehicles that reflect the consumers risk appetite. Thus, a new market disruption strategy is chosen that targets non-consumption in the lower margin sector of the market.



The target market consists of consumers who refused to pay wealth managers a certain percentage of their assets, and younger consumers that were just starting to build investable asset bases that would grow as their careers matured. This is attractive because robo-advisors allow firms to create a low-cost, technology driven model that provides a service that is just “good enough” to meet the demands of low-end consumers. This strategy considers targeting underserved non-consumers, because the existing products of incumbents are both too expensive and too complex for them. These low-end consumers with lower net worth but who nevertheless have some investable assets are being excluded from the market due to the price and complexity of the existing options. Thus, s24/7 would ‘get the job done’ for other target segments as compared to incumbent banks. New market disruption applies for non-consumers in the banking sector, because with this business model they are also served by cross-industry digital non-core banking offerings.

Getting the job done

In this context, a ‘job’ is a problem which an individual is trying to solve. Thus consumers would not buy products, but rather hire service providers to get the job done. This perspective focuses on what causes a consumer to buy a product rather than relying on attributes correlating to gender, age, income, etc.; so, causality and not correlation matters! The ‘job to be done’ focuses on functional aspects such as the practical role a product or service fulfills, and on what emotional and social feelings an individual gets from owing or using a product or service. Approaches for discovering a ‘job to be done’ are to observe current consumers, reflect deeply on their personal experiences, determine why former consumers left and to identify workarounds or compensating behaviors which underserved consumers use to get the job done today. The ‘Job to be done’ tells a company what experiences it must provide to consumers. This in turn tells a company what to integrate and how to integrate it to provide these experiences and to get the job done.

The job to be done for s24/7 customers and consumers

In the case of s24/7 the ‘job to be done’ is to offer the customers (B2B) platform space where they can sell their components, and to provide consumers (B2C) digital core and non-core banking products and services, which they can accommodate in their daily lives. I.e., for B2B the use case can be formulated as “let me hire platform space and use interfaces” and for B2C it would be “help me in choosing from a wide range of core and non-core banking products and services accessible at any time from anywhere on any device in a ‘pay-as-you-go’ model” or “help me manage my money on the go”, etc.



This gives s24/7 a unique value proposition, because other companies will have difficulties to imitate the proposed platform business model for the specified 'job to be done'. It will provide well-functioning financial instruments that meet targeted returns. Thus, the ecosystem platform business model reference design would provide s24/7 with the ability to differentiate product and demand by integrating the 'job to be done'. The 'job to be done' indicates what experiences the ecosystem platform business model must provide to the consumers continuously. This determines the ecosystem platform business model of what to integrate and how to integrate it to provide the experiences to get the job done. This will make it hard for disrupters to emulate, and s24/7 can maintain its differentiation.

Its modular architecture would bring them to a performance surplus since the ecosystem platform business model has a high innovation rate for individual components, because the various participants can specialize, and thus optimize the performance of their component. The performance consists in speed, market, convenience, customization, and price.

Monetization

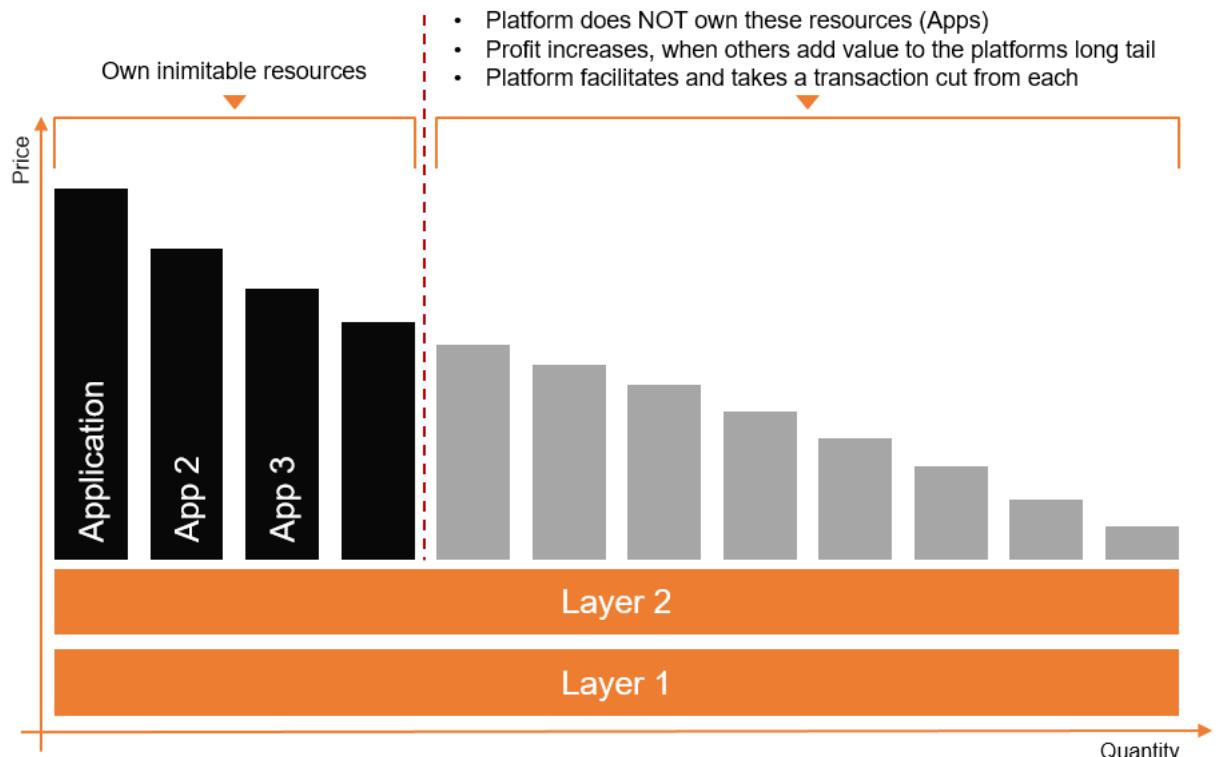
There are four avenues for monetization for a platform business model. The first is called 'get transaction cut', where the platform charges a 'fee' for facilitating transactions to component providers. Another is 'pay for access' charging for lead generation, i.e., charging the side that needs the other side more. Third, 'pay for attention' in charging for similar matches and finally 'pay for tools' in charging a fee for better or upgraded tools. An example for the first is eBay, the second LinkedIn, the third Facebook and the fourth is YouTube.

Even though s24/7 has to carry overhead costs in offering various component providers the platform, these can be absorbed through extracting value by adopting any of the four forms of monetization.



Platform owing only inimitable resources

As illustrated in Figure 10, it is important to note that the platform only owns those resources that are inimitable by component providers.



Source: Parker G.G., Van Alstyne, M.W., & Choudary, S.P. (2016)

Figure 10: Platform owing only inimitable resources

Emergent and deliberate strategy

Depending on the component, either an emergent development process or a deliberate strategy development process will apply. Since the s24/7 platform business model consists of a disintegrated and modular approach where various players provide their components to it and the terrain is unknown, the emergent strategy will be the focus at the beginning. This entails building the components of a platform step by step to figure out which part of its technology creates value for consumers.



This will leave room for experimentation and learning that can be adopted and put into practice with time. Senior management must simultaneously yet separately manage deliberate strategies and emergent strategies, and also allocate its resources in a balanced way between emergent and deliberate strategy venues. Some of the existing products and services will also be an integral part of the new company, but newly unbundled on a digital and modular basis in combination with non-core banking offerings. Thus, the emergent mode will be supported by experimentation and learning until all stakeholders understand what they are trying to do. Once a winning strategy has been found, a deliberate strategy is put in place and only the resources and investments that help this new business to grow are chosen.

With time, experimentation and lessons learned, s24/7 can incrementally sketch a technological platform that would contain these components, which provide value creation for the consumers and the corresponding 'job to be done'. Since the platform business model's core is primarily technology-based and focused on various sophisticated algorithms, physical infrastructure requirements are reduced. The fixed costs are low not only for emergent but also for any deliberate and sustaining strategy.

The profit formula varying for the individual components throughout the modular architecture does not hinder the continuous emergent aspect for categories and components operating according to a deliberate and sustaining strategy. Creating a new company that develops a platform that others can implement their products on allows s24/7 to successfully skate to the money. This assumes that the platform is where the money will be as the market modularizes. Because s24/7 is pursuing the platform idea, its customers are no longer consumers but instead are B2B customers, i.e. FinTechs, other cross-industry companies and other banks. Therefore, s24/7 will need to uncover the jobs these B2B customers are trying to get done.

Skating for new money and distinguishing between good and bad money

Skating to the money is about choosing the best modular component to focus on, i.e., move to the part of the value chain where most of the value is created and captured. While choosing between good and bad money is about driving the right behaviours when developing an innovation, such as reserving investment until a profit formula has been identified to avoid betting on the wrong horse, or prematurely focussing on economies of scale before having a solid business idea.



Good and bad money is a very important distinction to consider as the type of capital chosen can significantly affect the outcome of an innovation. For s24/7, good money means to direct a small amount of money to one innovative idea to maintain focus. Too much money can provide too many opportunities for s24/7 and could lead them to pursue suboptimal strategies. Good money forces s24/7 to keep fixed costs low and guides them to experiment, pilot and prototype innovative ideas in the market, to figure out whether they work and ultimately, identify what the right strategy is. Once an innovative idea proves to be successful and the appropriate strategy is known, greater capital can be pumped into the innovation. So s24/7 should examine each innovation with an emergent strategy and good money and once the strategy is known, kick it off with large capital investment and go the deliberate path. The type of money management at s24/7 triggers expectations that must be met. Such expectations significantly influence the type of market and channels which s24/7 can and cannot target. The danger for s24/7 can be that disruptive ideas get ignored and are shaped instead as sustaining innovation in targeting large and obvious markets. Thus, they neglect the need of other segments and miss disruptive potential. Overall, the level of funding received can send even great innovative ideas down the road to failure.

To ensure that innovative ideas are being considered and not nipped in the bud, a culture of innovation, creativity, experimentation, learning and acceptance of failure should be established across all levels. This can be realized through a lean organization, choosing human resources with the appropriate culture and mind-set and by implementing an institutionalized innovation management process.

III. Conclusion

The fact that disruption forces incumbents to react to changes in competition, whether in the case of low-end or new market disruption, implies that incumbents also need to rethink their business model. That's exactly where platform revolution steps into the game, offering a vehicle for modular architecture, on which various specialised actors can market their components. This is closely linked to digitalization, as shown in the s24/7 showcase presented where modular and digitalized product offerings (components) from various specialists represent market digitalization. Thus, one can conclude that disruption influences the choice of business model to react to disruption itself: Following a component strategy and offering one stage in the value chain to a wide range of consumers. When using a platform business model, one should reflect on whether digitalization would make sense to the same extent to 'get the job done' for the consumer as in recent digitalization trends, e.g., mobile banking, mobile payment, etc.; confronting and serving digital natives.



The appropriate strategy for the 'job to be done' helps to further identify the 'new performance-defining components', when and how to choose an emergent or a deliberate strategy for successful resource allocation. It aids in implementing processes and choosing the right profit formula. Another important aspect concerns knowing when to choose 'good money' and when to use full scale financing. As we have seen, it makes sense to be ready to apply both strategies depending on the environment and to have an appropriate business culture in place. Overall, disruption forces a bank to re-think its current architecture, business model and strategy.

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Disruption Disciples

Disruption Disciples is a global movement that promotes the critical exchange of ideas and knowledge and fosters collaboration. We strive to ignite a new dynamic to advance civilisation in large steps. Our circle includes those who give priority to change over optimization. Every building block that guarantees this disruption of the status quo is valuable irrespective of background or origin. We create an intellectual barrier-free environment and a counter-movement to the echo chambers of our times. Disruption is a state of mind.

Today, different fields are converging at an increasingly rapid pace and value is created at their intersections. At the same time, there are social, economic and ecological challenges that can only be met by mastering complexity and collaboration. Technological progress enables us to do this on a hitherto unimagined level. We are confronted with many barriers that limit us in achieving our potential: lack of knowledge, creativity and collaboration. To reverse this, we need to reorient and inspire the synapses of the system. We are here to do exactly this: tear down the barriers and accelerate change.

We are a volunteer-run, chapter-based community. Starting with the genesis node in Zurich, we grow as our members establish new chapters all around the world and as we interconnect and meet. The congregations are inspired by the salons of the Enlightenment and are global social nodal points for silo breakers, transformers and disrupters under the patronage of inspiring hosts to expand the participants' knowledge through discussion and create opportunity for cooperation.