

# Switzerland is innovative, while Silicon Valley changes the world

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**Switzerland might have a solid background in research and reliable business models, but the magic of innovation is definitely happening in Silicon Valley. How can we change that?**

During the last few months I have been reading the following in several press articles (as I have been reading over the past years): Switzerland is once again the most innovative country in the world. As reported by NZZ: [Innovations-Index – Die Schweiz bleibt an der Spitze](#) citing a [study from WIPO](#) or [inside-it.ch](#) citing a study from [Innovationsindikator](#) or NZZ: [WEF Ranking – Innovationsfreundliche Schweiz](#) citing a WEF study.

## Nothing happened since Doodle and Nespresso

And, exactly as I've been thinking in the past, I wonder: *really?* The latest innovations *made in Switzerland* I can remember from a consumer perspective were Doodle and Nespresso. (And the latter was actually an idea from over 40 years ago. But more on that later.)

What I *do* notice is how innovations which actually and directly changed my life over the past 30 years all come from Silicon Valley:

- PC/Mac (Both are fine, really) (who remembers the German pioneers Konrad Zuse and... who was that other guy again?)
- The internet as we know it and use it today: Youtube, Uber, Airbnb, etc. – basically all the web services I am actually using. (Yes, [Tim B.-Lee of CERN](#) deserves all credit, but who is profiting more: the inventor of hammer and chisel or Michelangelo?)
- Google
- Wikipedia
- iPhone
- Tesla

...and the list is just expanding.

There might have been great innovations and groundbreaking research from Switzerland (or Europe) that somehow influenced the above. But do we really want to be just the inventors passing their ideas to Silicon Valley? They apparently know how to change the world – creating jobs and making money in the process, of course.

If you answered that question with a clear no, you can read on. Because now I want to point out one of the many reasons why Silicon Valley companies are that successful.

### **Business model follows product**

Inventors and engineers in Switzerland and all over Europe traditionally dismiss the business model; or at least they don't perceive it as a really important matter. An interesting fact about Silicon Valley companies is how they don't try pushing innovative services or products into existing business models, but rather completely **innovate business models**.

Think about Facebook's history: If someone back then would have pitched the idea of a social network with billions of users sharing all their personal matters with the world, European investors would have asked: "So you will charge your users with a membership fee?"

The inventor would have replied: "No, it's free."

Investor: "Ok, then we're not doing it. None of the current business model patterns fits your invention, sorry."

Do you spot the mistake? The [\\$3.89bn quarterly profit](#)-and-world-changing-mistake?

### **Spot the difference**

Now, you might have a clever objection for me at this point: "But Twitter, Uber, Snap etc. are still losing a lot of money!" Yes, that's true. But you have to make clear distinctions there:

- **Twitter:** yes, they really don't have a working business model yet and they need one. But they changed the world and investors believe they will find a working business model.
- **Uber:** yes, they are burning their own capital, but that is needed for global taxi domination, their business model works. Investors believe in them and they revolutionized the transportation industry.
- **Snap:** yes, no working business model yet, but a billion dollar IPO and investors are backing them - and they also changed the world (or at least teenagers' world).
- **Tesla:** yes, still not making money, but they have a gamechanging business model (free charging infrastructure, only pay for the car). Yes, they also changed the world, if only to create momentum for electric vehicles.

Companies now ruling the tech-world all have distinct business models and are working hard to innovate them constantly. Here is how:

- **Facebook:** Avoiding ad revenue losses due to ad-blockers by using video ads and being good on mobile (less ad-blockers there).
- **Google:** adding their own "ad-blocker" to their Chrome browser ([by far highest market share among browsers as of today](#)) to fight third-party ad-blockers endangering their incredibly profitable business model.

## What can we do?

Think about business model innovation. Venture capitalists need to be convinced of your idea and of the fact that you will find a viable business model. You should be capable of innovating the model when needed. (The clear fact that we need more of those risk-taking venture capital firms in Europe is also true, but that is a matter for another blog post.)

Lino Guzzella, president of ETH Zurich, came to my same conclusion in the newest special issue of Digital Switzerland „Bilanz“ in September 2017: “We don’t just have to lay the foundations for infrastructure and training, but we must also translate this into business models[...]. The potential has not yet been exhausted.»

## The exception

One great example of a Swiss company that taught everyone how to do it is Nestle (with their above mentioned Nespresso): Nestle had an idea for capsule coffee in the 1970s. What they didn’t have was a business model. This changed in the 90ies.

Nestle found a way to successfully sell coffee at a fee per-kilo much higher than any other competitor with clever marketing ideas and proven business model patterns.

The combination of razor-and-blade pattern (cheap machines and expensive consumables), lock-in-pattern (only Nespresso pods work on their machines) and direct selling (you can’t buy the capsules in a supermarket, but only directly in Nespresso’s exclusive boutiques) is a hard-to-replicate business model.

## A bad place for startups

Now, you don’t necessarily need a working business model to change the world (see Twitter). But you need to convince investors that you will find/create one eventually or they won’t feed you to begin with.

Evaluating a country’s innovation capabilities, we strongly consider the startup ecosystem. A [Startup Genome study](#) draws a completely different picture of the world. Here, no Swiss city makes it to the top 20.

Of course, I am aware of all the cool developments here in Switzerland (such as the [Innovation Park](#), ETH-, EPFL- students’ projects entailing new technologies like [Swissloop](#)). Although many of those were triggered by the Valley. Let’s turn them from sleeping Powerpoint slides into gamechangers!

I will close this post with a quote from a recent Game of Thrones’ episode (no spoilers, don’t worry):

*When Samwell decided to leave the university for good, his wife asked him:  
"I always thought you wanted to be a Maester?",  
"I am tired of reading about the achievements of better men."  
And off they went to save the world instead...*