Startups and the generational gap

Opportunities for startups in an ever-changing economy

We are part of a new globalized era that helps small companies stand out in certain niches over other large ones that, mainly due to their old-fashioned structures, fail to adapt to recurrent fast-paced changes, particularly those related to technology.

But this is not only about new technologies, which offer the possibility of developing products, services or even companies remotely and without the need of even having a structure. We are also talking about the new preferences of an audience that - especially millennials and Generation Z- thinks and chooses in a completely different way than, for example, their parents used to.

Thus, we observe a trend towards mainly online products without physical support, which further eases the way for these small companies - many of them start-ups - to position themselves quickly and give large companies a run for their market share.

Giant corporations from different industries are completely rethinking their structures and even their business models. They seek a more flexible arrangement, with smaller teams integrated by people with newly created positions who are dedicated to squeezing the company's resources to optimize costs and maximize profits.

In the same way, technology pressures increasingly towards greater adaptability and, even, creativity from workers and organizations. In a world in which positions are changing at a faster pace than ever before, traditional university degrees will be obsolete when it comes to getting a job based on skills: solving complex problems, critical thinking, cognitive flexibility, emotional intelligence, teamwork, among others, are the prime resource needed to tackle these new challenges.

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And that is not the only change within companies: today in the same team people with different ways of thinking coexist: the youngest seek to enjoy the work process, have no interest whatsoever in "making a career" within the organization and, in addition, respect their superiors only for their knowledge and not for the position they exercise.

Meanwhile, hierarchical positions in companies are held by individuals who value job security and formal authorities, in addition to seeking welfare for the future and not so much for the present.

These differences between peers push traditional companies to look for ways to transfer knowledge much more quickly and efficiently and to exploit, in addition, other informal communication channels that exist in the work environment.

Start-ups are in an excellent position to face this challenge from their very conception, as they can implement the technology that will allow positive information and knowledge flow and enforce this as part of their culture. New companies will also benefit from a reduced generational gap, as most of their staff, including founders, will be part of the newer generations already engaged in this new tendency.

The FinTech experience

One of the industries that better reflect these changes is banking: the rise of the 'FinTechs' -small companies which fulfill some of the traditional banks' functions, such as money transfers or loans- leads financial institutions to rethink their functioning and even to seek strategic alliances with these new companies to avoid being left behind.

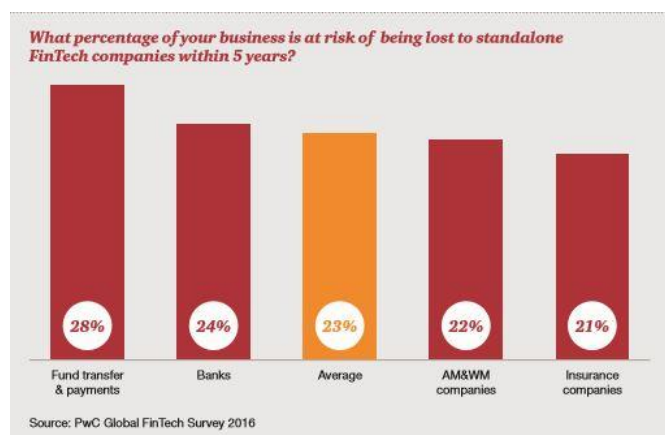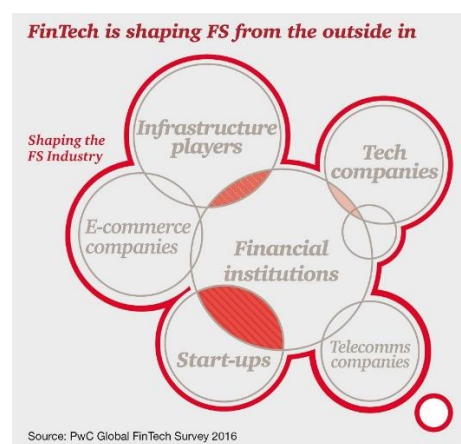**76% fear they will lose business to FinTechs**
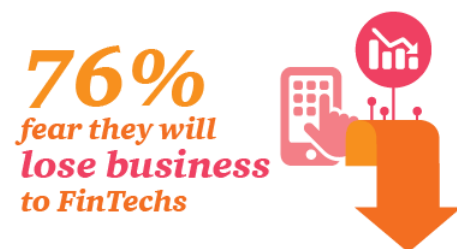
For multinational financial organizations -which usually have medium and top management positions, as well as local, regional, and global headquarters- these new competitors present a huge challenge. Their bureaucracies prevent them from fast adapting and prepare for a new reality if they are conscious of it at all in the first place.

Just 16% expect to invest in AI compared to 34% globally

In a recent survey done by PwC in Ireland, 76% of the major financial companies state fear of losing business to FinTechs. On the other hand, only 16% of them expected to invest in AI compared to an average of 34% globally. This clearly shows how these big corporations are running from way behind to catch up with leaner FinTechs on the use of technology and overall performance.

FinTech is shaping FS from the outside in

Shaping the FS Industry

Infrastructure players — Tech companies — E-commerce companies — Financial institutions — Start-ups — Telecomms companies

Source: PwC Global FinTech Survey 2016

What percentage of your business is at risk of being lost to standalone FinTech companies within 5 years?

Fund transfer & payments	Banks	Average	AM&WM companies	Insurance companies
28%	24%	23%	22%	21%

Source: PwC Global FinTech Survey 2016

In the financial market, the main strategic asset that traditional companies hold -and by which they could differentiate themselves from their incipient competitors- is the information they obtain from their clients. They exploit this precious resource by increasing the number of offers they make to their clients through the use of Data Mining and Big Data. And that is pretty much it.

It is still difficult to see if they will be able to adapt to this new reality and how they will work in the medium and long term with other aspects of the digital revolution. Will they remain in the backseat while new companies push the limits on the use of new instruments, such as Artificial Intelligence? It remains to be seen.

On the side of startups, everything looks a little brighter: they have the possibility of eliminating the intermediary and have a full online presence. These not only reduce costs significantly for the benefit of customers and companies but, fundamentally, gives users the possibility of instantly choosing between multiple options with all the necessary information at their disposal.

Regulation vacuum: the Cryptocurrencies case

Another disruptive technology that can change the world as it is known today is cryptocurrencies and, particularly, the technology behind it: blockchain.

Although they are currently in full development, in the not too distant future they will allow the liberation of systems and regulatory frameworks that are not always just and, again, they will eliminate the intermediary to move money quickly, efficiently and at no cost.

The main problem of these new currencies beyond the -no lesser- potential impact on the markets and on the tax and collection system, lies in the purposes of their use. Unfortunately, they are used on many occasions for illegal transactions, which makes them untrustworthy to people and business in general.

What role will governments have in this? Will they further regulate markets to avoid new technologies from spreading with the purpose of protecting unskilled jobs? Will they encourage the development of new technologies, accompanied by encouraging people to engage in new careers and technical studies? Will the old paradigms of the educational system be modified by modern ones that encourage the new skills needed for the future?

But, more importantly: can governments do anything to tackle these issues now? Or will we have to think, perhaps, about a new and disruptive conception of a "modern state", starting regulations from scratch? As they say, "the future has arrived" and, until now, it has the upper hand. Will this ever change?

A bright future for startups

It is challenging and stimulating time for startups around the world to think about what their role in society will be in the future. They will be, above all, destined to exploit information and data that will allow them to develop new products and innovative services. These could be either completely new creations or be developed through the reformulation of existing ones for the new generations.

For this reason, entrepreneurs' continuous learning will be a fundamental part of their day to day, probably in a more informal way than that of traditional education, and derived directly from experience.

Startups have a long way to go and face many challenges, particularly those of unregulated markets or technologies. But they also have no legacy to deal with, which gives them a incredible advantage over old-fashioned organizations that are having troubles to deal with the new consumer trends and technology changes. Any company that can seize the opportunities that this generational gap presents will be in a great position to take over the world.