Welcome to Business Analysis!

*specifically from the perspective of a startup

Credits for resources used

Courseware - free curriculum put together by a team from multiple universities - MIT/U of Toronto…
https://www.entrepreneurial-strategy.net/
If you would like to access the (very helpful!) video lectures sign up on the "courseware" section of their website with your school email

Harvard Business School cases and articles
https://hbr.org/2018/05/strategy-for-start-ups

Not officially officialted with *FIRST* -- Used with permission

Hello!

I'm Anna

FRC Team 846 alum. USC IYA majoring in "Arts, Technology, and the Business of Innovation" Graphic designer.

anna@tesseractinitiative.org, insta: @sheepianna1

Representing tesseractinitiative.org

Hello!

I'm Brian Wilcove

Silicon Valley VC @ Artiman Ventures. Alum FRC 7308 Mentor.

brian@artiman.com, insta: @brian.wilcove

WHY
Business strategy matters

1: Intro to Entrepreneurship

2: Entrepreneurial Strategy

3: What Are Investors Looking For

4: Pitching and Storytelling

4 Axioms of of Entrepreneurial Strategy

Freedom

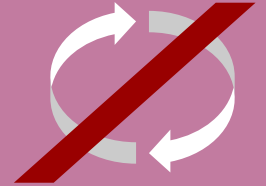There is more than one path to create and capture value

Constraint

Constraint prevents the pursuit of more than one alternative at once

Uncertainty

The probability that an idea is valuable is not known to the entrepreneur and cannot be evaluated without some commitment

Irreversibility

Choosing to move along one path changes the conditions for moving along other paths

4 Axioms of of Entrepreneurial Strategy

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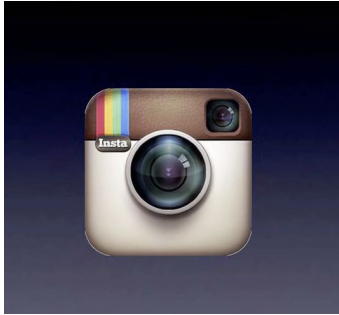
Axiom 1 + 2 +3

Learning about choices along a certain path requires some commitment

Irreversibility

Choosing to move along one path changes the conditions for moving along other paths

Flash of Genius

In Theaters October 3rd

Paradox of Entrepreneurship

Entrepreneurs face a trade off between the **value they can create and the value they can capture**,

Because to create value, they have to give up some control, which in turn undermines their ability to capture value.

Paradox of Entrepreneurship

"Choosing between equally viable alternative *strategic commitments* requires **knowledge that can only be gained through experimentation and learning...**

...yet the **process of learning and experimentation** inevitably **results in some level of commitment that forecloses particular strategic options.**"
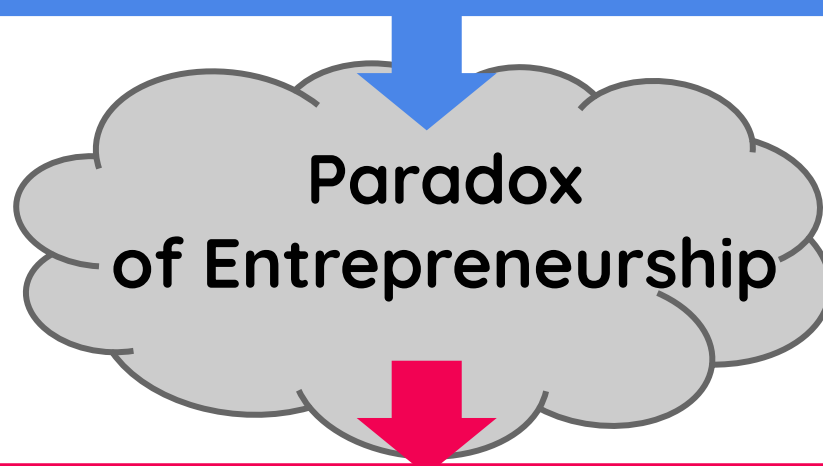
Entrepreneurial Strategy's job is to resolve the paradox of entrepreneurship

You have to choose what to do first, because what to do first changes returns to to other choices
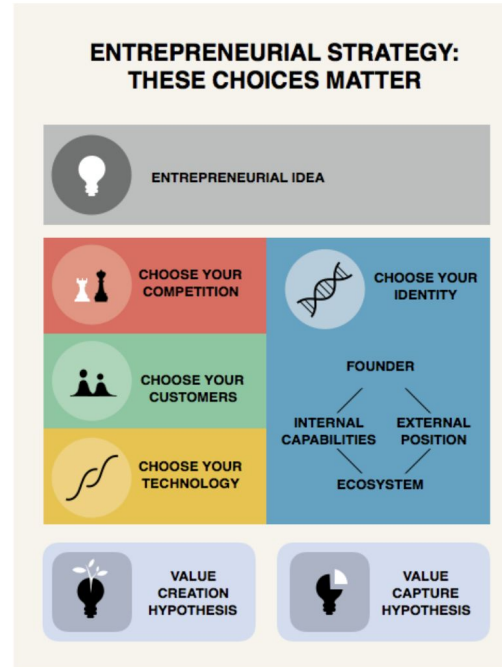
Choice Matters

CHOICE WITHOUT COMMITMENT

CHOICE WITH COMMITMENT

These Choices Matter

ENTREPRENEURIAL STRATEGY: THESE CHOICES MATTER

ENTREPRENEURIAL IDEA

CHOOSE YOUR COMPETITION

CHOOSE YOUR IDENTITY

CHOOSE YOUR CUSTOMERS

FOUNDER

INTERNAL CAPABILITIES

EXTERNAL POSITION

CHOOSE YOUR TECHNOLOGY

ECOSYSTEM

VALUE CREATION HYPOTHESIS

VALUE CAPTURE HYPOTHESIS

These Choices Together Matter

CHOOSING YOUR ENTREPRENEURIAL STRATEGY

CONTROL

INTELLECTUAL PROPERTY

ARCHITECTURE

ORIENTATION

COLLABORATE

COMPETE

VALUE CHAIN

INVESTMENT

EXECUTION

DISRUPTION
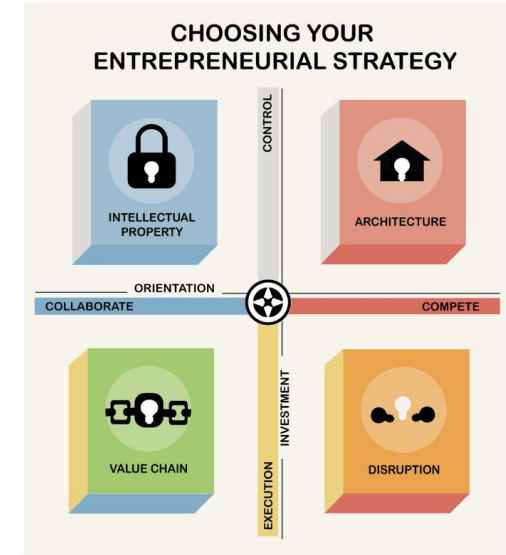
https://vimeo.com/319561972/98795716d6 start 33:06 - 35:55
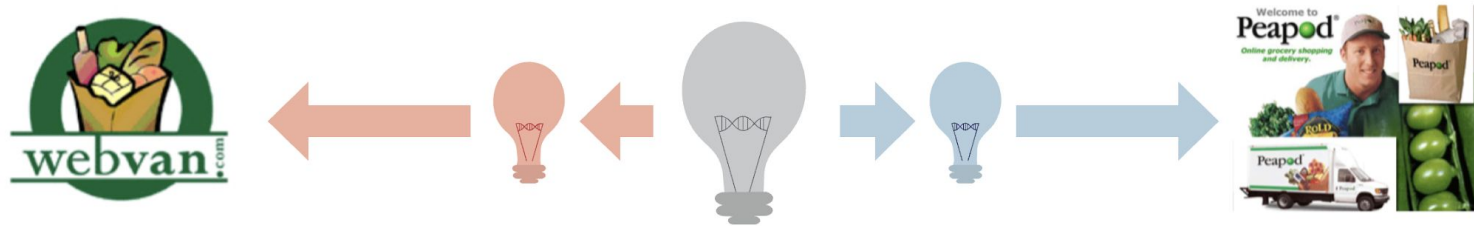
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https://vimeo.com/319561972/9879571
6d6 start 33:06 - 35:55

https://vimeo.com/319562220/f5ebe8c338
0 - 2:25

Diffusion of many household products within the US

Percentage of households with

1 Electricity
2 Range
3 Refrigerator
4 Radio
5 Color Television
6 Telephone
7 Automobile
8 Microwave
9 Clothes washer
10 VCR
11 Air-conditioning
12 Clothes dryer
13 Dishwasher
14 Computer
15 Cellular phone
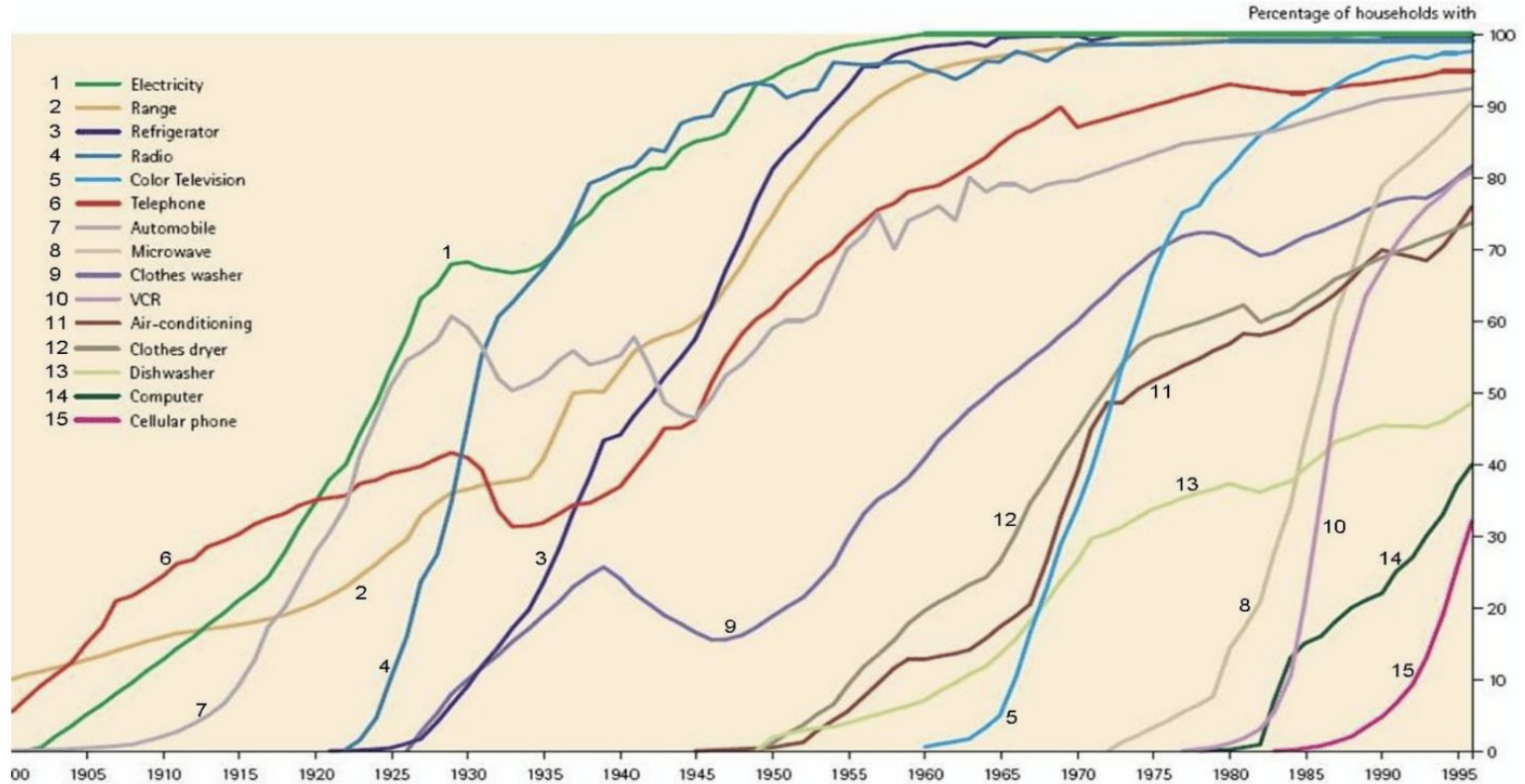
Federal Reserve Bank of Dallas, 1998

Choose the right "beachheads"

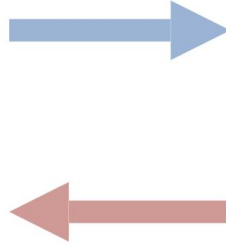They didn't pick a market and leave both people and horse owners confused who it's for!

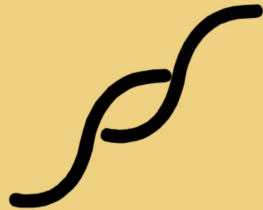By marketing to both, you confuse and loose both types of customers

Choosing an Early Adoptor….

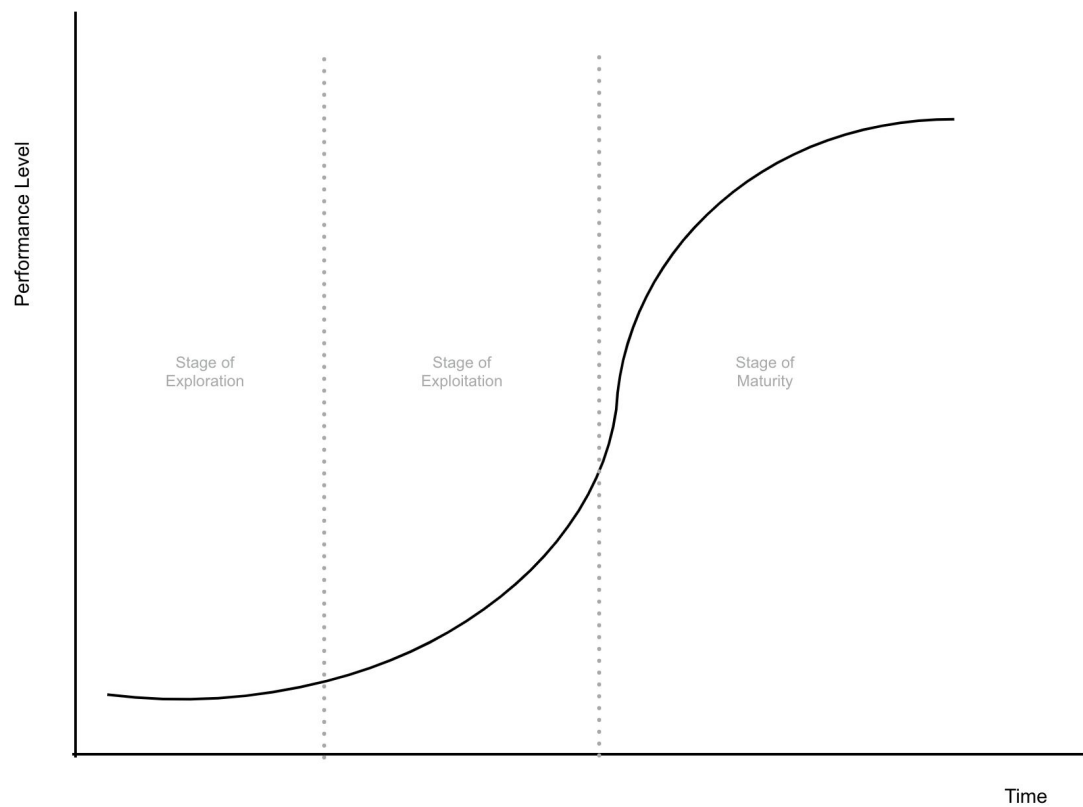Is the S-curve an environmental **"fact"**....

Or a **process** that can be managed?

What choices result in a technology s-curve for a given idea?

The choices you face
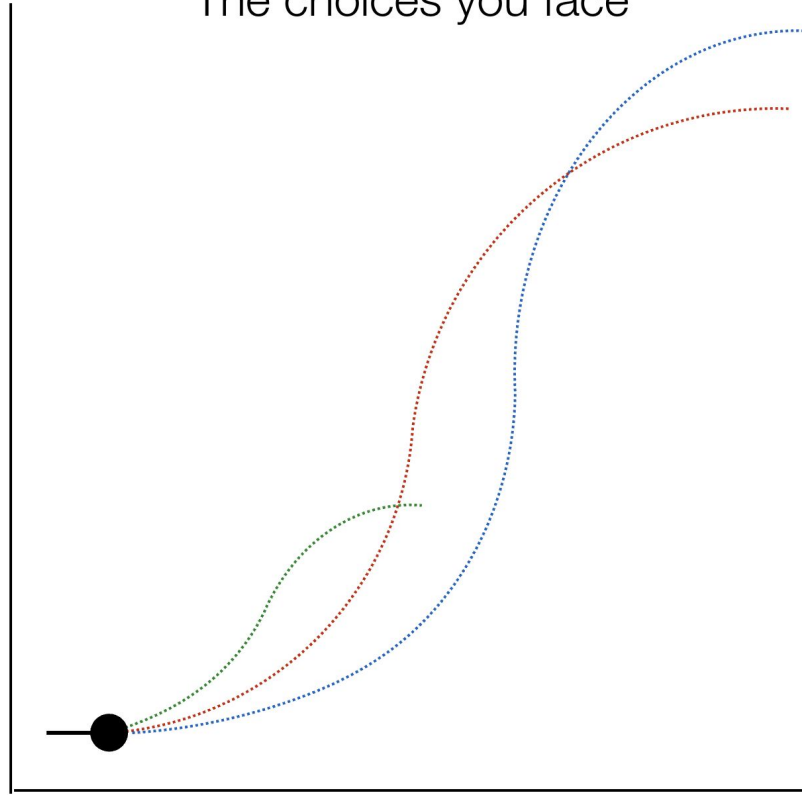
Incumbent vs. Innovator

Innovation S-curves and adoption

Innovators 2.5 %
Early Adopters 13.5 %
Early Majority 34 %
Late Majority 34 %
Laggards 16 %

Market share %

S-CURVE INNOVATION MODEL

End Life Cycle

End

Launch Point

Re-Invention

Incremental Improvement

Start-up

Launch Point

Innovation

GROWTH

TIME

Adapted from George Land's Growth Curve
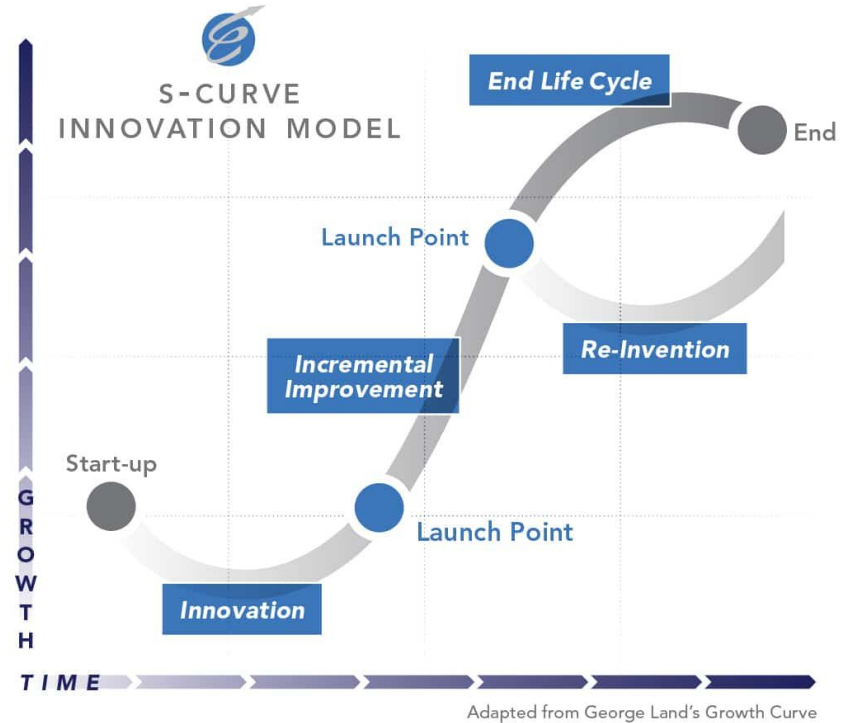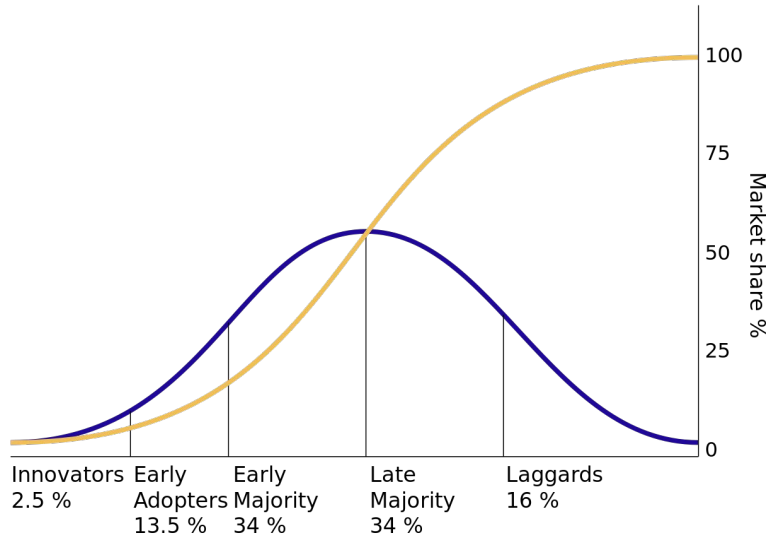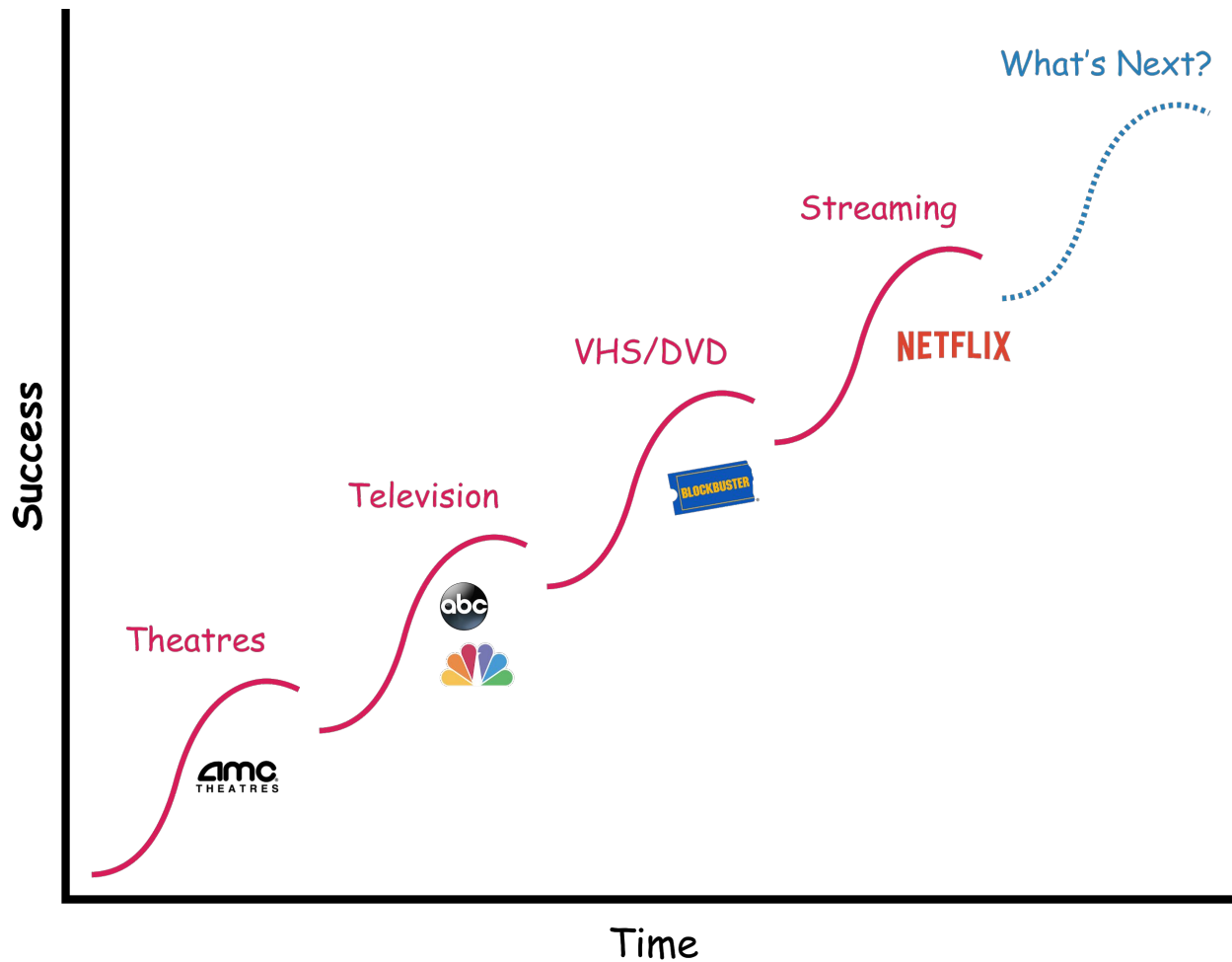
Case Study: LiquiGlide

Activity: Product Market Fit

You have an idea (a technology), who is your customer and who is your market?

As a group, share a google doc and type a list of as many applications for LiquiGlide as you can.

Then rank them, consider:

- **Sequencing:** How does each beachhead compare in terms of the ability to facilitate the transition to follow on markets. Who are your first customers that will ramp you up to get to <u>the early majority</u>?
- **Value Proposition:** Where is there the most meaningful value proposition for the resources it takes to acquire that segment

(re-visit value creation vs. value capture!)

$$\frac{\text{Life−Time Value (LTV)}}{\text{Cost of Customer Acquisition (COCA)}}$$

Collaborative Breakout Sessions

Breakout sessions are NOT recorded.

Don't be shy to show your friendly smile and participate!

Join back into the main room after to share and learn more.

Finish Video- What Happened

"Reveal the answer" https://vimeo.com/319919641 1:26+ 3:22

And indeed they did!

Elmer's and LiquiGlide Join Forces

Renowned Glue-Maker and Slippery Coatings Leader Sign Exclusive Agreement to Create Innovative Products

Cambridge, Mass. – March 24, 2015 – LiquiGlide Inc. today announced an exclusive licensing agreement with Elmer's Products, Inc. Elmer's will explore LiquiGlide's breakthrough slippery coating technology to create innovative new products.

Client: RapidSOS

2015

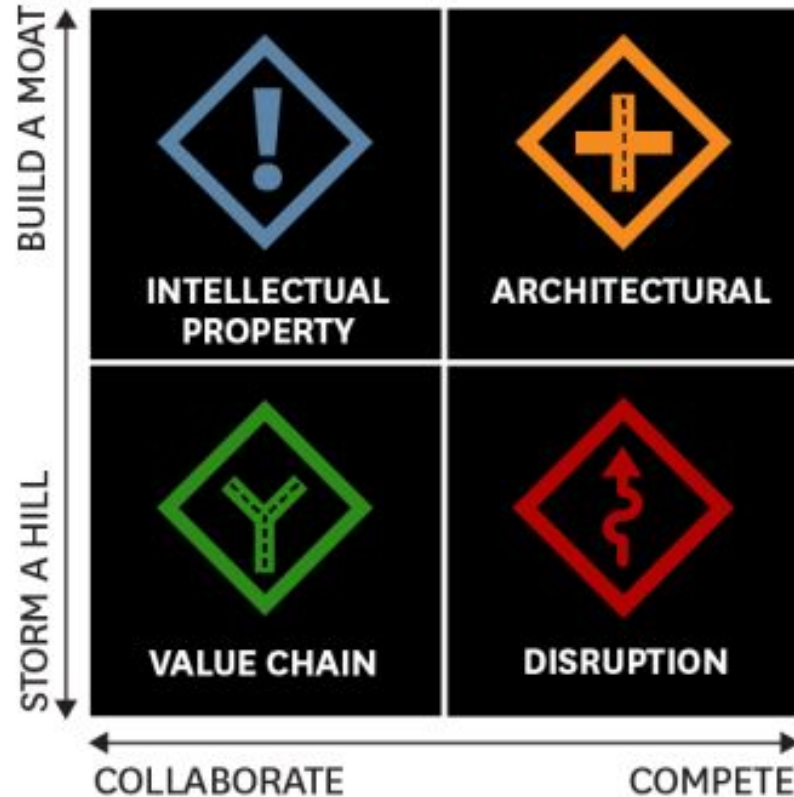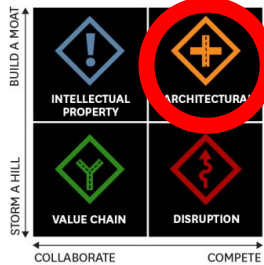Bringing 911 calls into the smartphone age

Play Video - 2:49

HBR's Entrepreneurial Strategy Compass

Build a moat
(control)

Vs.

Storm a Hill
(execution)

ARCHITECTURAL STRATEGY

facebook.   DELL   airbnb   Ford   Bloomberg

THE BUILDERS

"Zero to One"

DELIVER value for NEW users:
Understand how to match specific stakeholders together to create and deliver value for all sides.

Develop GENERAL SYSTEM innovations:
Develop either (1) a platform upon which others can build products or (2) a market intermediary.

Orientation towards **COMPETITION** and investment in **CONTROL:**
Control and architect new value chain to compete
Leading & shaping the ecosystem
Focus on ensuring the competitiveness of new value chain relative to other value chains.
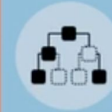
Leverage INTEGRATED RESOURCES:
Insight into different stakeholders: Monitor the needs of key stakeholders who create value and provide investments complementary to those of others.
Leading and shaping the ecosystem: The ecosystem is largely influenced by a few key stakeholders the start-up can build relationships with.

VENTURE CREATES VALUE because its **SYSTEM INNOVATIONS** deliver value for **NEW** users

VENTURE CAPTURES VALUE because it **CONTROLS** a key **INTEGRATED RESOURCE**

https://www.entrepreneurial-strategy.net/

INTELLECTUAL PROPERTY STRATEGY

THE THINKERS

"Ideas Factory"

DELIVER value for EXISTING users

Develop GENERAL COMPONENT innovations

Orientation towards COLLABORATION and investment in CONTROL

Leverage FUNCTIONAL RESOURCES

VENTURE CREATES VALUE because its COMPONENT INNOVATIONS deliver value for EXISTING users

VENTURE CAPTURES VALUE because it CONTROLS a key FUNCTIONAL RESOURCE

BUILD A MOAT
STORM A HILL
COLLABORATE
COMPETE

INTELLECTUAL PROPERTY
ARCHITECTURAL
VALUE CHAIN
DISRUPTION

Image from https://www.entrepreneurial-strategy.net/

DISRUPTION STRATEGY

oDesk · salesforce · NETFLIX · ZIPCAR · skype

THE HUSTLERS

"Creative Destruction"

DISCOVER value for NEW users:
Focus on customer segments that are currently poorly served due to size or niche demands

Develop SPECIALIZED SYSTEM innovations:
Choose nascent technology that requires customer input and iterative improvement.

Orientation towards **COMPETITION** and investment in **EXECUTION:**
Execute quickly and avoid rapid incumbent response
Engage in Lean Experimentation & Hustle
Fast to market while avoiding rapid incumbent response.

Build INTEGRATED CAPABILITIES:
Leverage local talent and users: Look for early adopters with low acquisition cost and employees that can be attracted with minimal upfront cash. Engage in lean experimentation & hustle: Initial focus on getting products to market with minimal resource use to allow for customer feedback.

VENTURE CREATES VALUE because its **SYSTEM INNOVATIONS** discover value for **NEW** users

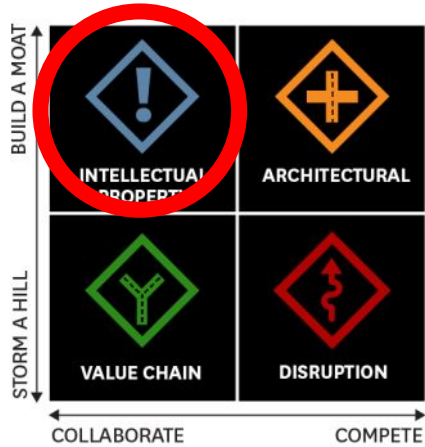**VENTURE CAPTURES VALUE** because it **EXECUTES** on key **INTEGRATED CAPABILITIES**

BUILD A MOAT / STORM A HILL

INTELLECTUAL PROPERTY · ARCHITECTURAL

VALUE CHAIN · DISRUPTION

COLLABORATE — COMPETE

Image from https://www.entrepreneurial-strategy.net/

VALUE CHAIN STRATEGY

FOXCONN — PayPal — madaket — DRIZLY — STRATACOM

THE PARTNERS

"Core Competency"

DISCOVER value for EXISTING users:
Choose partners for whom you can enhance their value propositions and market power.

Develop SPECIALIZED COMPONENT innovations:
Facilitate the integration and transition of the old and new technology S-curves.

Orientation towards **COLLABORATION** and investment in **EXECUTION:**
Execute quickly and integrate into the existing value chain
Bring to market the best solution for a segment through an existing value chain.

Build FUNCTIONAL CAPABILITIES:
Form tightly knit teams and scarce capabilities: Attention to ensuring that the talent within the firm is oriented towards higher quality and lower cost products.
Leverage access to value chain players: Nurture competition in other segments of the value chain to create a bottleneck in your own segment.
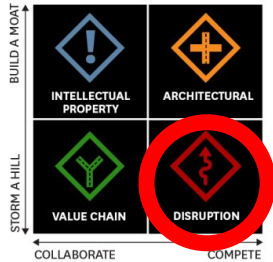
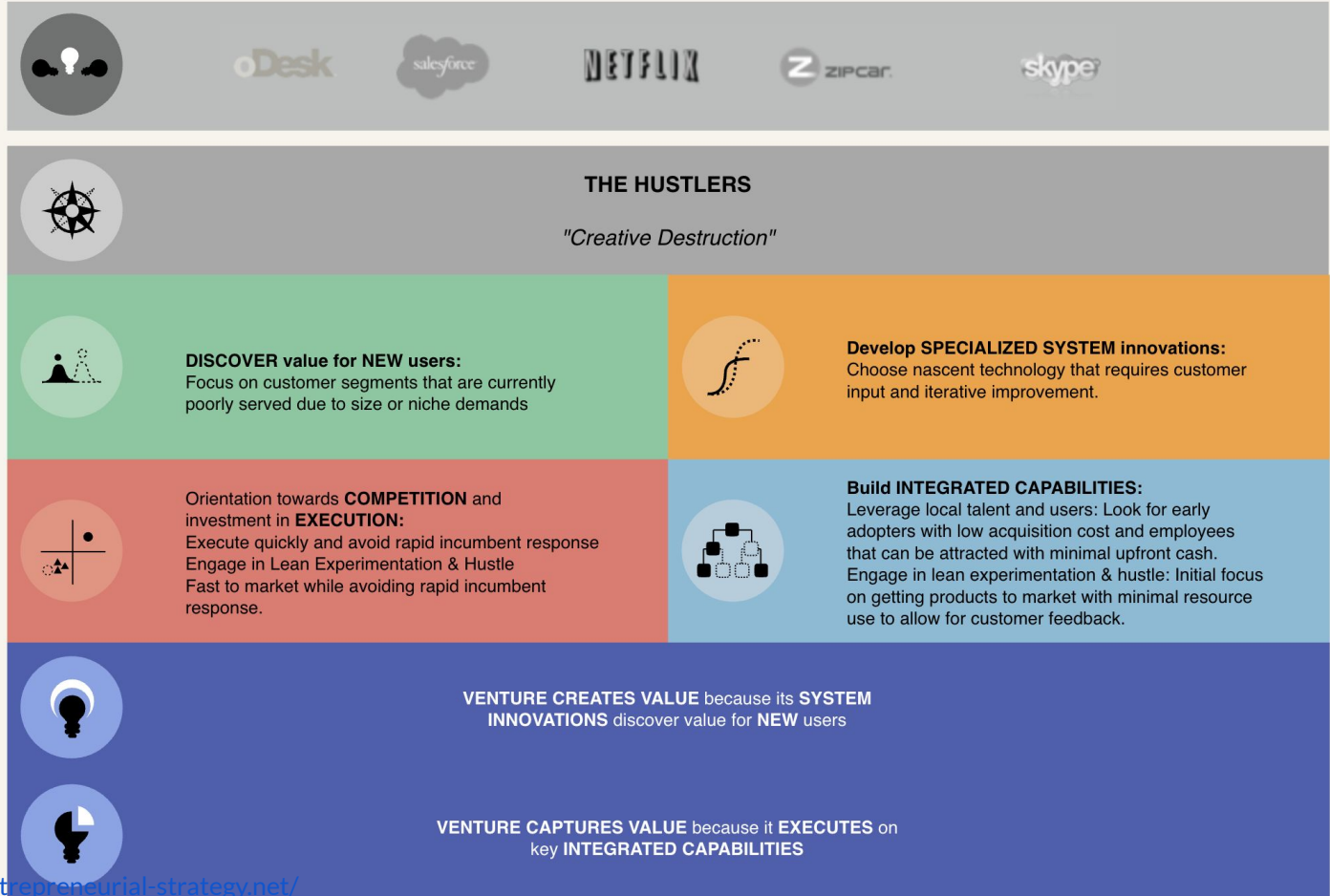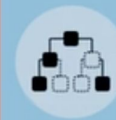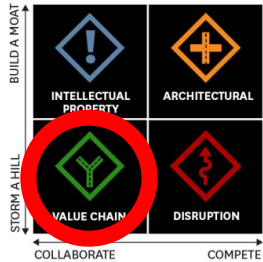**VENTURE CREATES VALUE** because its **COMPONENT INNOVATIONS** discover value for **EXISTING** users

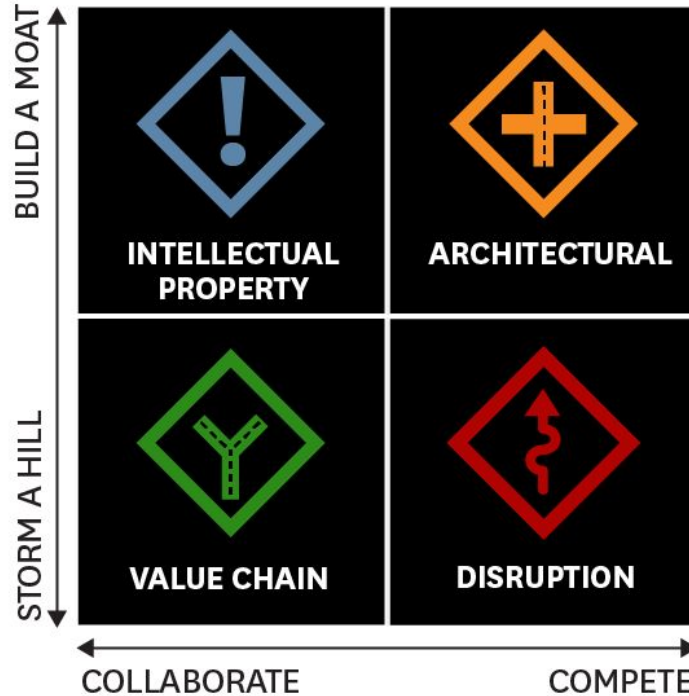**VENTURE CAPTURES VALUE** because it **EXECUTES** on key **FUNCTIONAL CAPABILITIES**

BUILD A MOAT

STORM A HILL

INTELLECTUAL PROPERTY

ARCHITECTURAL

VALUE CHAIN

DISRUPTION

COLLABORATE — COMPETE

Image from https://www.entrepreneurial-strategy.net/

RapidSOS could keep the technology proprietary and work with existing 911 equipment suppliers such as Motorola to modernize operations.

RapidSOS could partner with insurance companies (which ultimately pay for ambulance services); the product might take the form of a smartphone app.

BUILD A MOAT

STORM A HILL

INTELLECTUAL PROPERTY

ARCHITECTURAL

VALUE CHAIN

DISRUPTION

COLLABORATE

COMPETE

RapidSOS could replace the existing emergency response system altogether.

RapidSOS could first target poorly served populations (such as epilepsy patients) and later serve a larger swath of customers.

Discuss

You are in the boardroom listening to the discussion, let's take a closer look to understand what they are talking about:
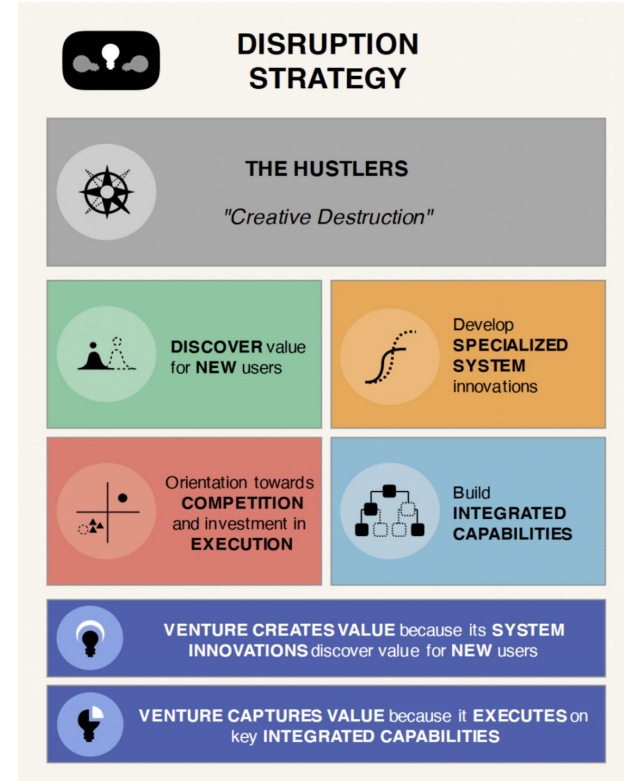
How should they take their technology to market?

Collaborative Breakout Sessions

Breakout sessions are NOT recorded.

Don't be shy to show your friendly smile and participate!

Join back into the main room after to share and learn more.

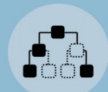## INTELLECTUAL PROPERTY STRATEGY

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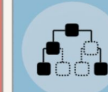
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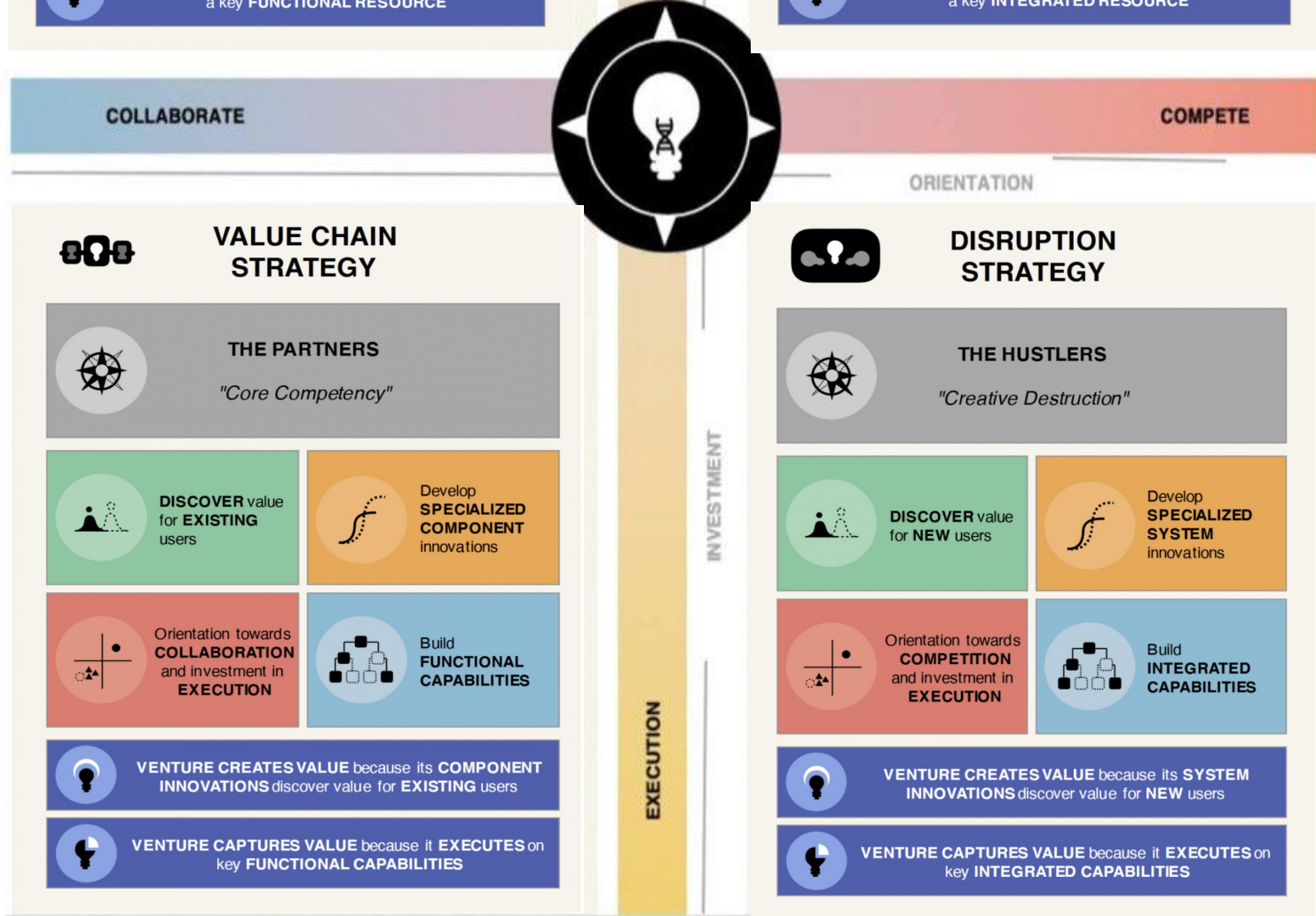
CONTROL

COLLABORATE — COMPETE

ORIENTATION

VALUE CHAIN STRATEGY

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DISRUPTION STRATEGY

THE HUSTLERS
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EXECUTION

Graphic from: https://www.entrepreneurial-strategy.net/

DISRUPTION STRATEGY

THE HUSTLERS
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RapidSOS could first target poorly served populations (such as epilepsy patients) and later serve a larger swath of customers.

a key **FUNCTIONAL RESOURCE**

a key **INTEGRATED RESOURCE**

COLLABORATE

COMPETE

ORIENTATION

VALUE CHAIN STRATEGY

THE PARTNERS

"Core Competency"

DISCOVER value for **EXISTING** users

Develop **SPECIALIZED COMPONENT** innovations

Orientation towards **COLLABORATION** and investment in **EXECUTION**

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DISRUPTION STRATEGY

THE HUSTLERS

"Creative Destruction"

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INVESTMENT

EXECUTION

1: Intro to Entrepreneurship

2: Entrepreneurial Strategy

3: What Are Investors Looking For

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What Is the Problem?

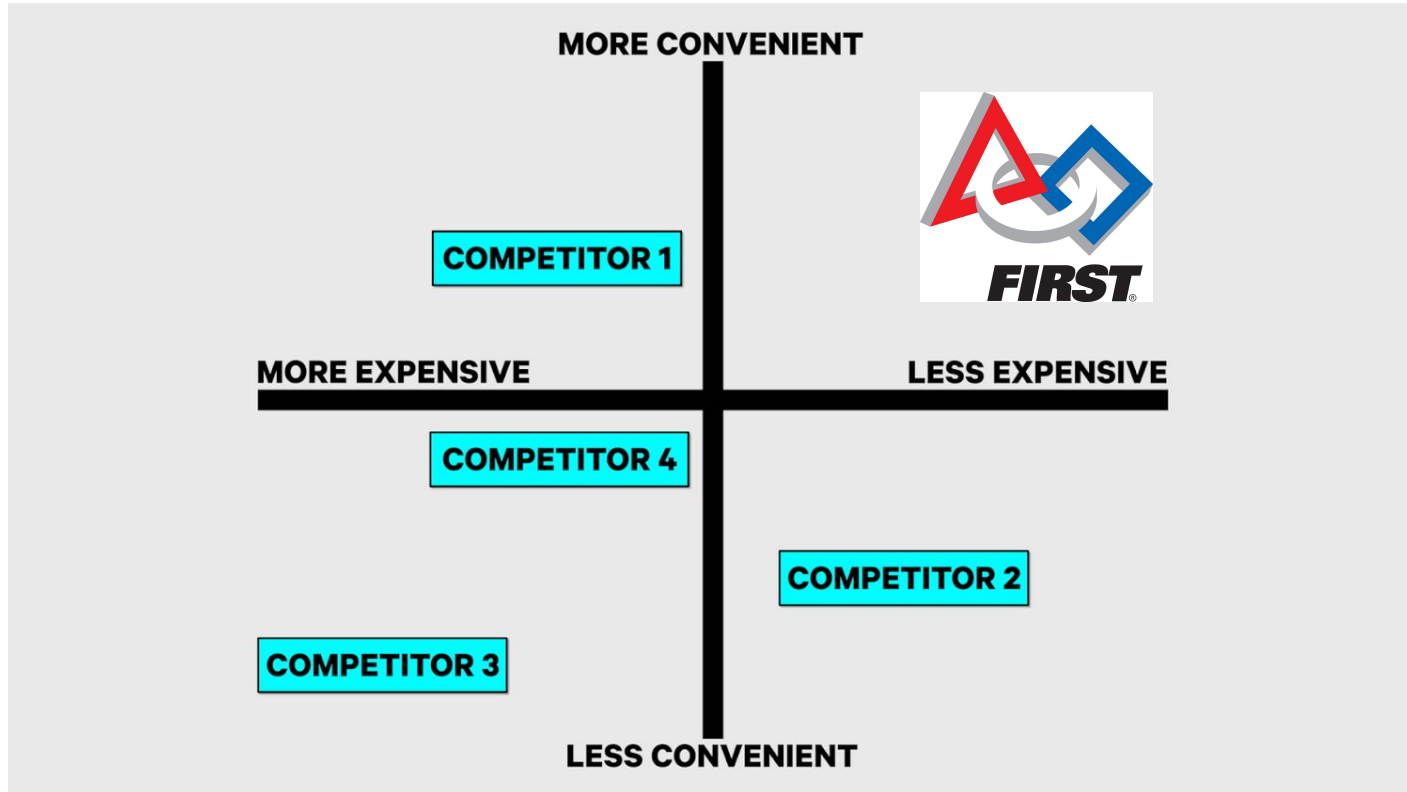| PAINKILLER	VITAMIN
"Need to have"	"Nice to have"
Solves unmet customer needs	Improves an existing solution
Want to use	Should use
Google Maps Amazon Echo Lyft/Uber	To-Do List Apps Fitness Trackers Nextdoor

Validating the Market

(*Who are your customers*) * (*how much will they pay*) = <u>Market Size</u>

1.) Direct feedback from customers, figure out how to talk to them
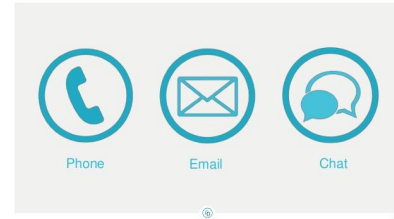
Competitors

Business Model *(Pricing Example)*

▷ Demand - price can increase due to bad weather, festive periods, or in the case of natural disasters
▷ Competitive - based on what the competition is doing
▷ Cost Plus - All costs + add in margin (how much you want to make on top)
▷ Resource --- https://blog.hubspot.com/sales/pricing-strategy

Make sure to understand your unit economics (costs of goods, sales, distribution, taxes, etc...

VS

$200.00

$0.97

Your team

Do you have a strong founding team?

Investors are looking for a strong and diverse team with relevant domain expertise. Whatever team make up you're working with, play to your strengths. Put a positive spin on homogenous educational or experience by emphasizing a super strong team dynamic. Similarly, you can counter a lack of experience by highlighting entrepreneurial spirit or accomplishments.

Have you figured out with your co-founders who is doing what?

If you have multiple founders, your titles should indicate that you've had a conversation about who will own what functional areas of the business.

Closing Thoughts

The journey is memorable and guaranteed

Timing and luck

Find the wave to surf

Persistence pays off

Focus / simplicity

Control what you can control and ignore the rest

Pitching

▷ Communicate the <u>key value proposition</u> of you product that solves a pain point

▷ You have to subordinate benefits, you can't highlight all of them.

▷ Distinguish between necessary or nice to have

▷ Tie in branding and storytelling. Make the time engaging!

Pitch Canvas from
Best3Minutes.com

The Pitch Canvas©

An entrepreneurial brainstorming tool that helps you structure and visualise your pitch on one page .

Simple Statement of what change you and your product are making in the world.

A memorable one-sentence explanation of what you do for customers.

Pain (+ Gain)
What problem are you solving for your customers?
What does the pain result in?
What opportunities do you provide for people to be faster,
more cost-effective, more efficient, happier, safer?
How many people need this problem solved - market size?
Have you validated that people will pay to have it solved?

Product
As simply as possible: what does your product do
for customers?
How does it work?
How have you tested it with customers?
(Be sure not to let the product dominate the pitch.)

Product Demo
Live demo? (always risky, but powerful if it works...)
A screenflow movie of a working app convinces this is
for real. Physical product convinces you can execute.
Screenshots are also OK, but can look like a mock-up -
moving product on screen is better.
Can you show a real customer using it?

What's Unique
Technology/Relationships/Partnerships.
How do you help your customers get results differently
to your competition, or alternatives?
Show you have researched the market and know what
competition is out there.

Customer Traction
Success so far?
Pilot customers? Major brands?
Progression in users or downloads?
Customer reference quotes or movies?
PR coverage? Competition wins?
Use data and facts to strengthen your case.

Business Model
How do you get paid?
What's the opportunity for growth?
How can you scale beyond your current
scope: new industries, territories, applications
of partnerships and technology?

Investment
Have you invested money yourself?
Have you raised money so far?
How much are you looking for now?
How many, and what type of investor are you looking for?
What expectations do you have of your investors;
network, expertise?
What big steps will you use the investment for?
What milestones will you reach with the money?

Team
What relevant experience and skills does your team
have that supports your story?
Brands worked for? Achievements? Sales success?
What binds you together as people and as
entrepreneurs to fix this problem?
What;s special about the character of your team, that
will make you stand out and be memorable?

Call To Action and End Statement

Finish the pitch strongly with a clear request for the audience to take action - what is their first next step?

Why You?
NOTE: Why You? can show up in any part of the pitch.
Why do you care about solving this problem for your customers? How has your life been affected by this industry and business?
Why should your audience have confidence that you will do what you say you are going to do?

Where to start: The XYZ statement

X is a Y that does Z

Ex. *Hallway* is a web-based multi-user virtual campus experience that facilitates effective collaboration among students.

X is a Y that does Z

Different in different contexts. Google may be communicating to…

1) **Job candidate**
Google is a collaborative workplace that provides employees with cutting-edge technologies to impact the world.

2) **Investor**
Google is a multinational conglomerate that assumes an integral role in consumers' daily lives.

3) **Consumer**
Google is a suite of productive tools that enables access to worldwide information.

Practice yourself with a famous company! Nike, Facebook, Amazon….

Thank you!