

Learning from serial entrepreneurs

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Recognise this



And this



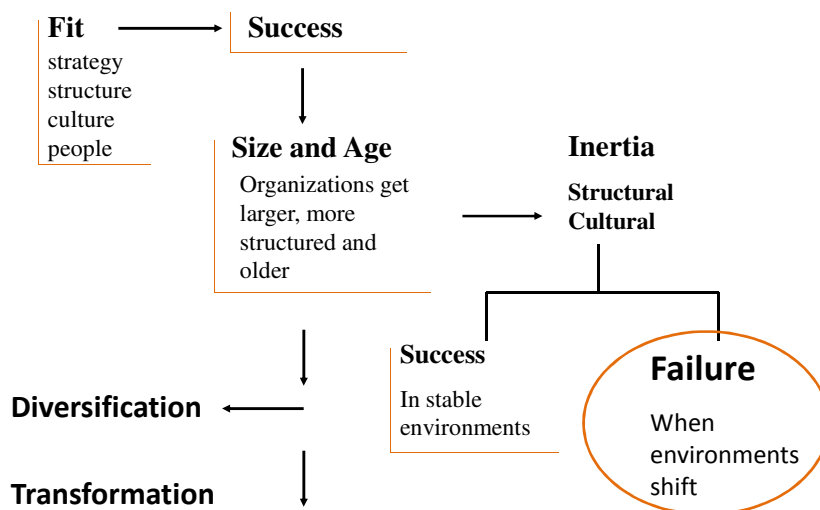
Ever had this problem?



The genetic code of
established organizations is
optimized for
incrementalism.

- So, what?

Corporate Mental Locks



What does the environment of your organization look like?



Corporate Mental Locks



In an age of unparalleled opportunity for innovation
most startups still fail.

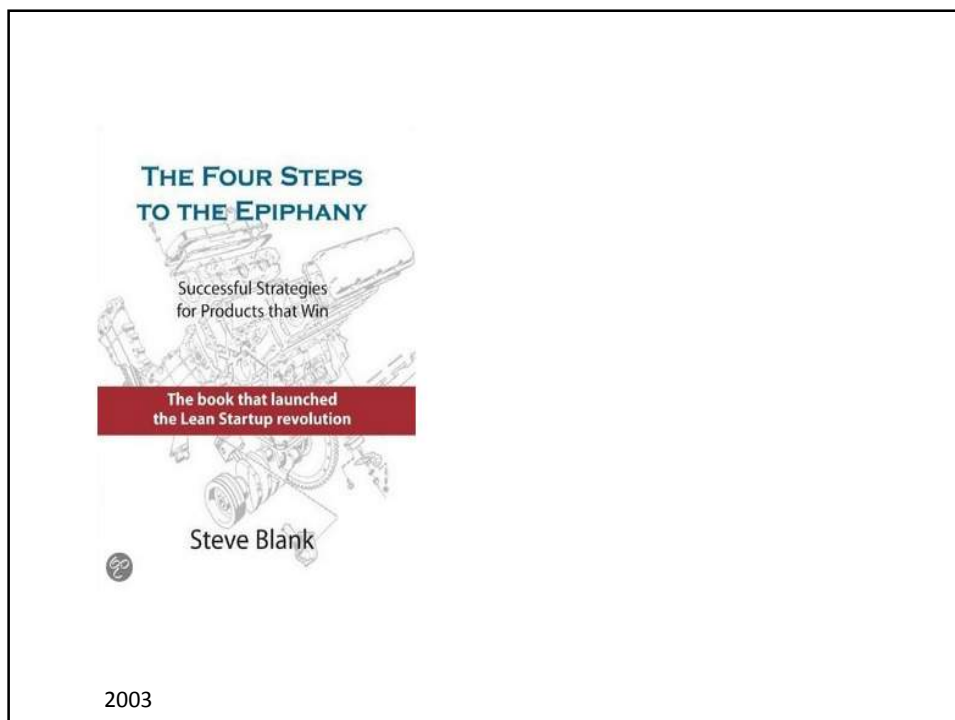
66% drastically change
their original plans

Successful startups **DO NOT** start with a better
plan A

but *find a plan that works before
running out of resources.*

Ash Maurya, Runnin Lean, 2012, XXI.

Plan that works = **scalable and repeatable**
business model

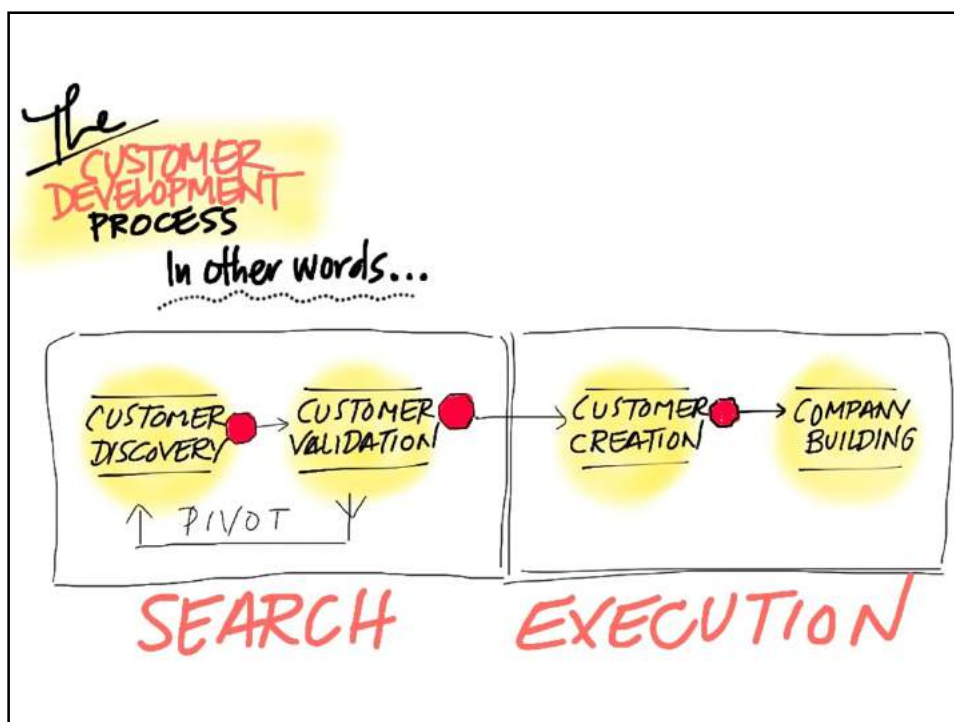


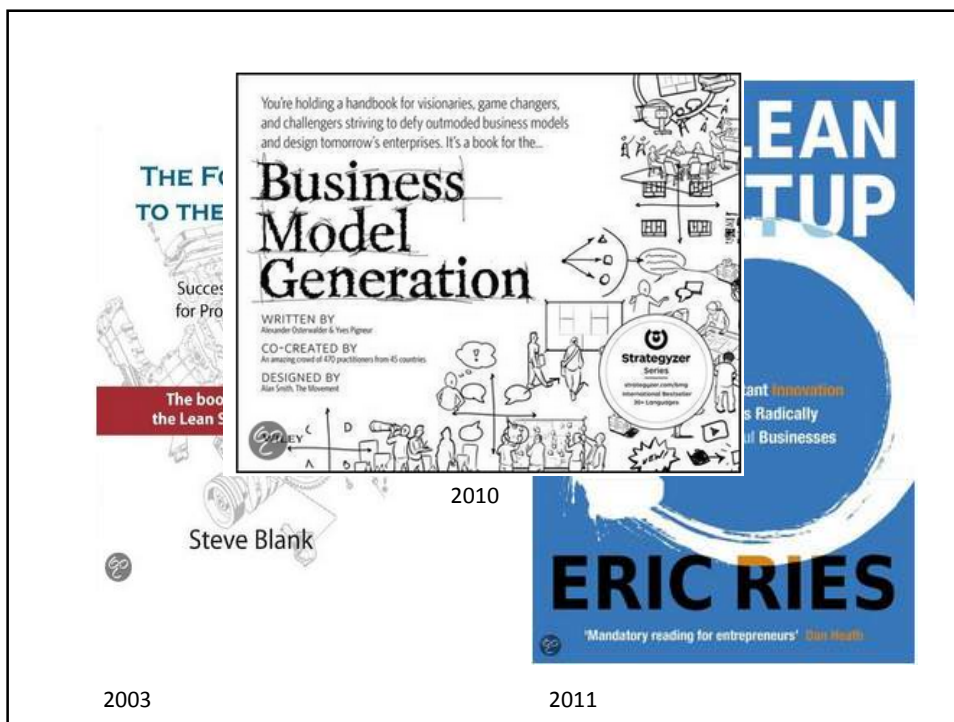
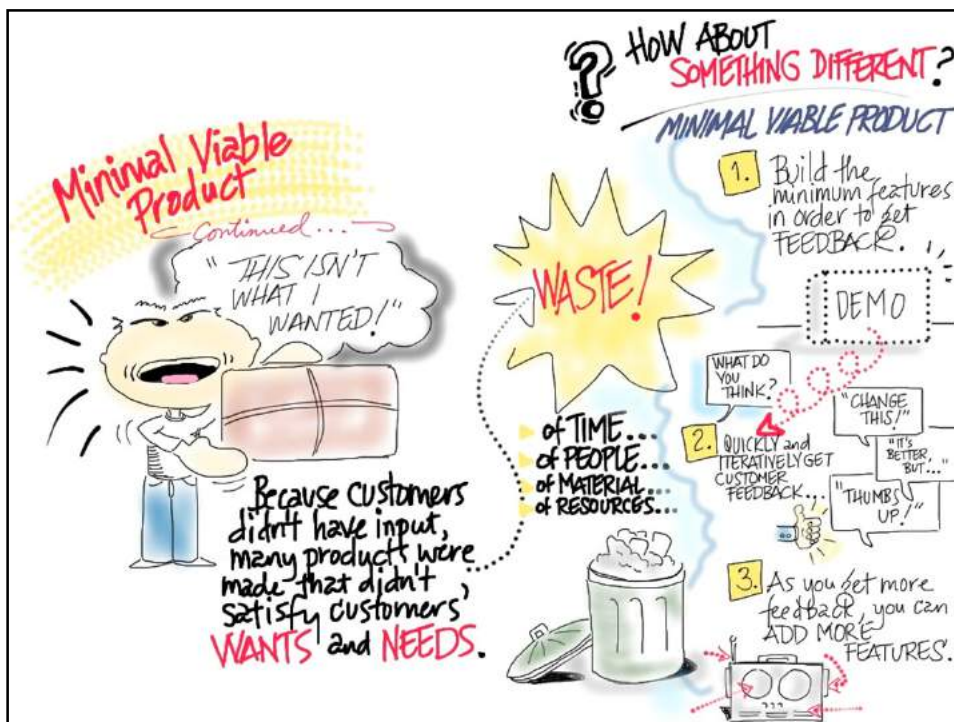
- Customer development model

Minimum viable product

In other words, the minimum viable product is a test of a specific set of hypotheses, with a goal of proving or disproving them as quickly as possible. One of the most important of these hypotheses is always: what will the customer care about? How will they define quality?

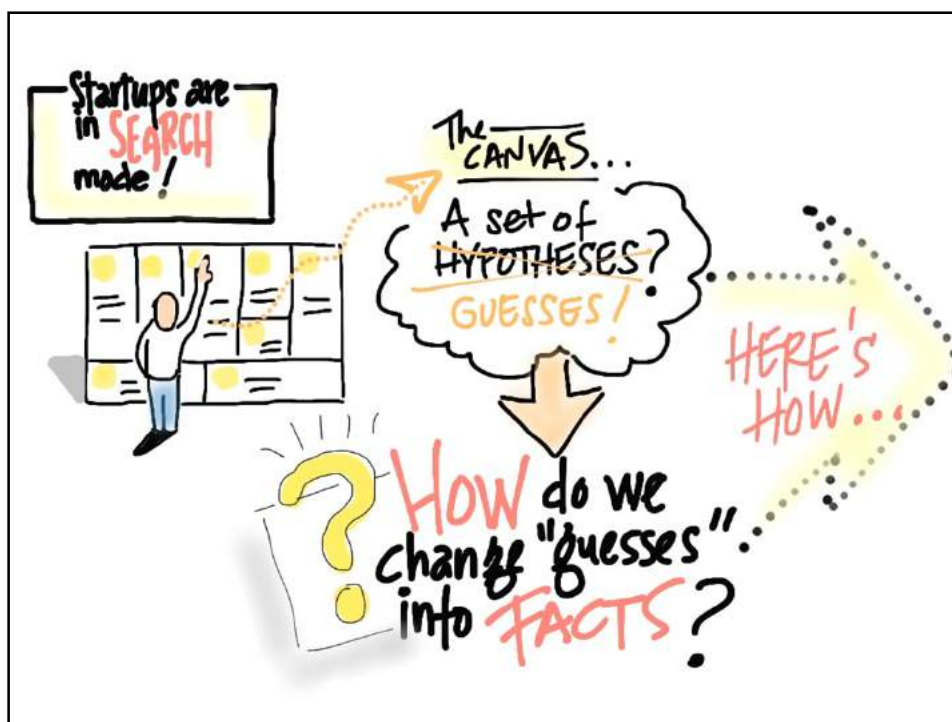
- Premature scaling and the Death Spiral
- Head to head with market leaders vs re-segment





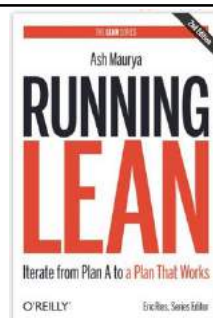
Generating Hypotheses

<p>KEY PARTNER</p> <ul style="list-style-type: none"> Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform? 	<p>KEY ACTIVITIES</p> <ul style="list-style-type: none"> What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams? 	<p>VALUE PROPOSITION</p> <ul style="list-style-type: none"> What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? Which customer needs are we satisfying? What bundles of products and services are we offering to each Customer Segment? 	<p>CUSTOMER RELATIONSHIPS</p> <ul style="list-style-type: none"> What type of relationship does each of Customer Segments expect us to establish and maintain with them? Which ones have we established? How costly are they? ... 	<p>CUSTOMER SEGMENT</p> <ul style="list-style-type: none"> For whom are we creating value? Who are our most important customers?
<p>KEY RESOURCES</p> <ul style="list-style-type: none"> What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams? 		<p>SALES CHANNELS</p> <ul style="list-style-type: none"> Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our channels integrated? ... 		
<p>COST STRUCTURE</p> <ul style="list-style-type: none"> What are the most important costs inherent in our business model? Which Key Resources are most expensive? ... 			<p>REVENUE STREAMS</p> <ul style="list-style-type: none"> For what value are our customers really willing to pay? For what do they currently pay? ... 	



Running lean

3 Stages of a Startup



<http://www.slideshare.net/ashmaurya/10-steps-to-productmarket-fit/1> accessed 06-01-2016

Running lean

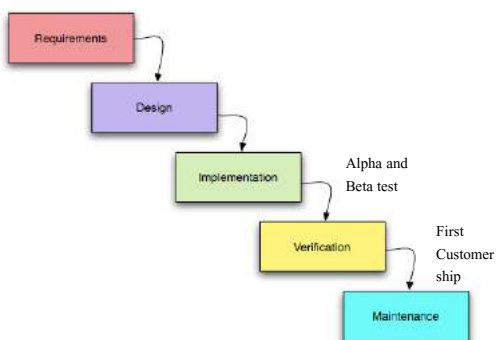
the key to #winning:

find your **product/market** fit before you run out of money.

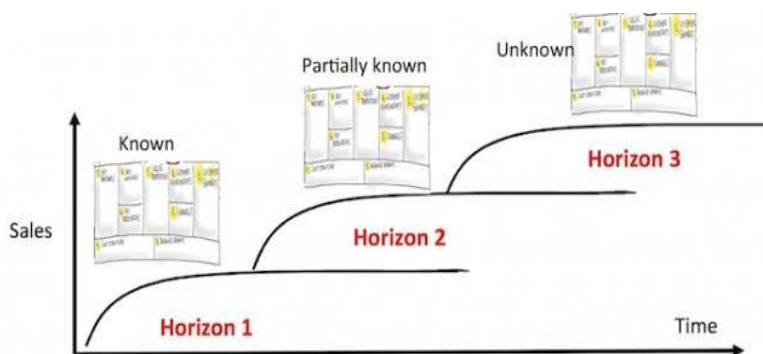
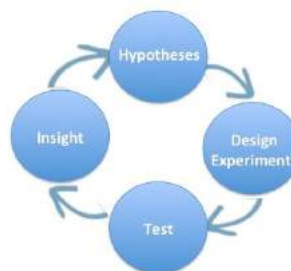
THAT. IS. ALL.

Translated to a corporate context

Waterfall Development



Agile Method: validated learning about customers



Existing Business Model: Process Innovation New Opportunities via Business Model Innovation New/Disruptive Business Model

Execute

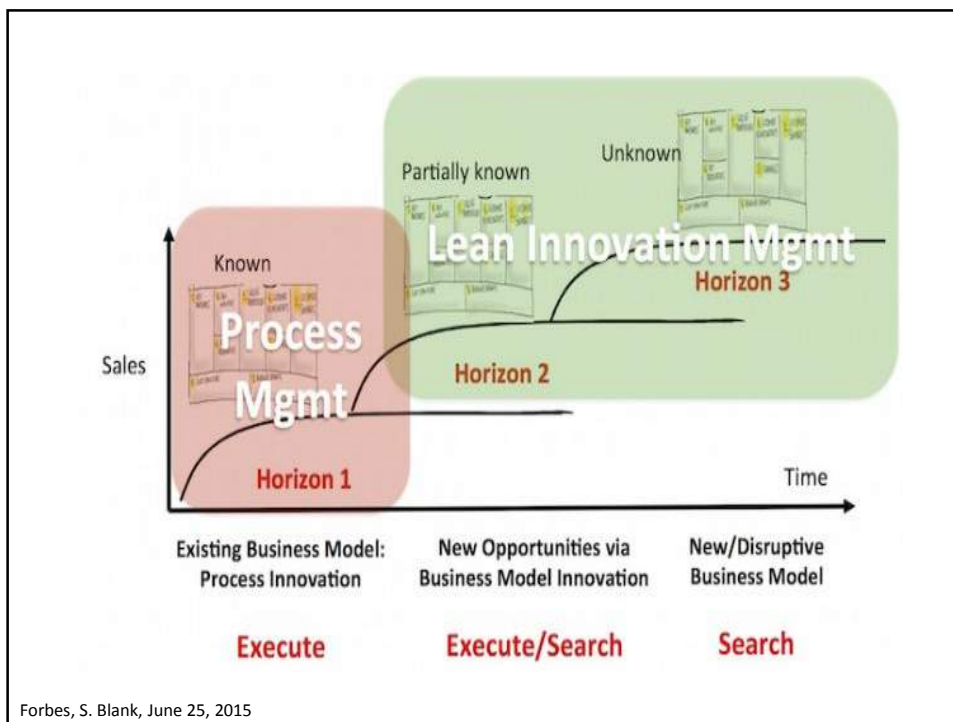
Execute/Search

Search

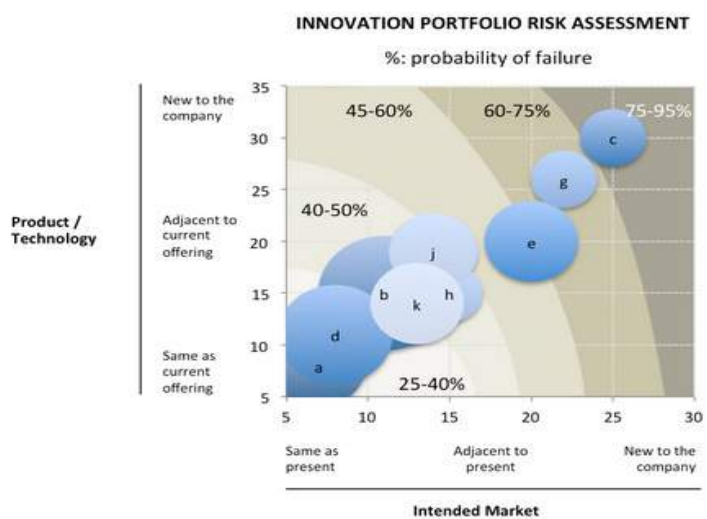


Use traditional methodologies for Horizon 1 projects

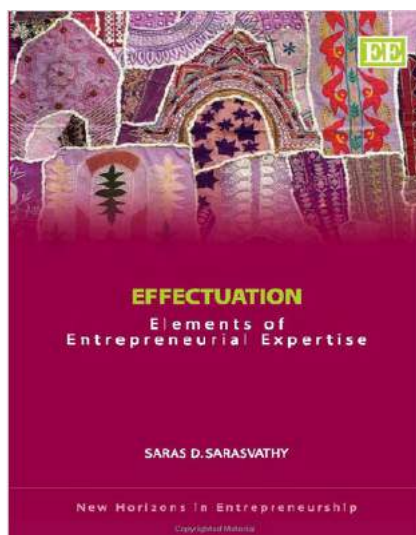
Forbes, S. Blank, June 25, 2015



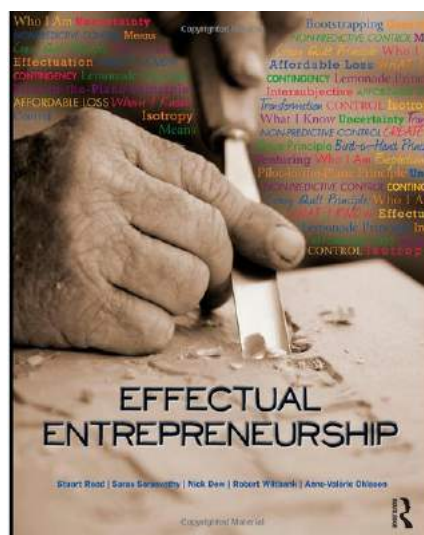
What are the challenges in Practice



What can we learn?



2008



2011

What makes Entrepreneurs Entrepreneurial?

Effectuation

- “Expert entrepreneurs” believe that **the future is shaped by people (design and not choice or prediction)**. They believe that if they can make the future happen, they don't need to worry about predicting the future, determining perfect timing to start, or finding the optimal opportunity.
- Sarasvathy calls this "effectual logic" which sits opposed to "causal logic" taught to managers in more certain (or predictable) circumstances.

Causal Reasoning



Effectual Reasoning



We need to grow by x% and/or cut costs by y%.
Plan with concrete steps.

Reflection

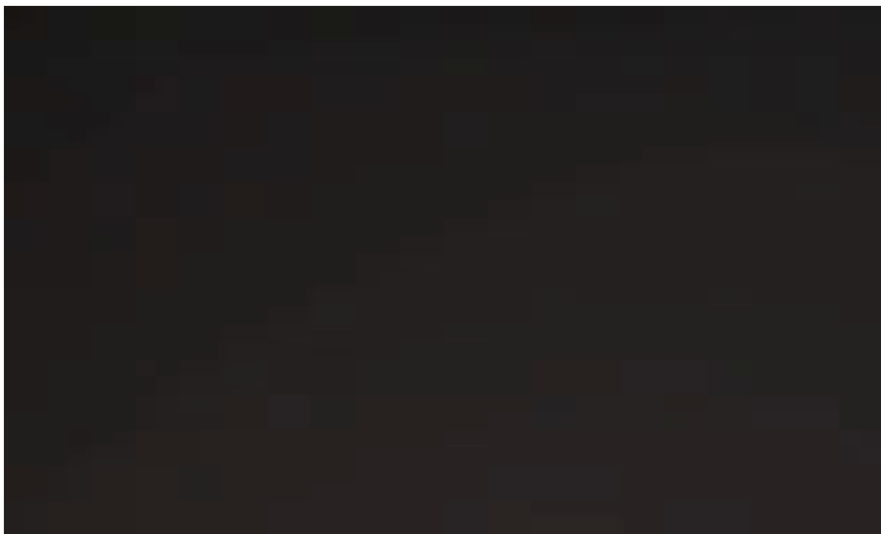
- We will look at a number of cases of successful entrepreneurs/intrapreneurs. Please reflect on what you hear/see and distill some principles of a so-called entrepreneurial method.

Effectuation: a Primer

- Causal principles (blue)
- **Effectual principles (red)**

<http://www.effectuation.org/learn/effectuation-101>

Connecting the dots



Effectuation: Where to start?

- Goals. Given (based on predictions)
- **Means.** The basis for decisions and new opportunities:
 - Who I am
 - What I know
 - Whom I know



Steve Jobs on Connecting the Dots (2:50)

<http://www.effectuation.org/learn/effectuation-101>



Richard Branson on Affordable Loss (1:11)

Effectuation: risk, return, and resources

- **Expected Return.**
Calculate upside potential and pursue the (risk-adjusted) best opportunity.



- **Affordable Loss.**
Calculate downside potential and risk no more than you can afford to lose.

<http://www.effectuation.org/learn/effectuation-101>

Prediction, Risk, and Uncertainty

Prediction

Classical economics: markets are predictable and every market will reach a point of perfect equilibrium where supply and demand intersects

The ability to determine future events based on past recurring patterns – **extrapolation – defensive tactics.**

Risk

Not all elements of the market are known or knowable. Problems of risk call for estimation of the likely changes under multiple scenarios over time.

Scenario planning, real options, Monte Carlo analysis

Prediction, Risk, and Uncertainty ^(b)





Uncertainty

Is a situation in which no historical data exists to help decision-making.

Uncertainty cannot be modeled or predicted. It is a future that is not only unknown but also unknowable; i.e. The future of stem cell research, of bio fuels, etc.

Affordable loss and Co-creation

Four levels of Uncertainty

LEVEL 1 	LEVEL 2 	LEVEL 3 	LEVEL 4 
A clear enough Future	Alternate Futures	A Range of Futures	True Ambiguity
A single forecast precise enough for determining strategy	A few discrete & clear outcomes that define the future	A range of possible outcomes defined by limited number of key variables, but no natural discrete scenarios	Multiple dimensions of uncertainty interact; No basis to forecast the future; uncertainty
i.e. Southwest no-frills service	i.e. Capacity strategy for chemical plants (Taminco- China)	i.e. Entering emerging markets; developing new technologies in consumer electronics	i.e. Next technological game changers
Traditional Strategy Toolkit	Scenario planning Option valuation Game theory	Monte Carlo Tech. Forecasting Latent-demand research	Effectuation Study analogous markets Pattern recognition

Source: Courtney et al, Strategy under uncertainty, HBR 1997.

3 Types of Strategic Intent



Shape the future

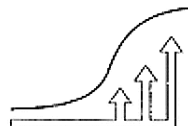
Play a leadership role in establishing how the industry operates, for example:

- Setting standards
- Creating demand
- Develop & market game changing technologies



Adapt to the future

Win through speed, agility, and flexibility in recognizing and capturing opportunities in existing markets & relatively stable business environments, i.e. South West Airlines no-frills point-to-point service



Reserve the Right to Play

Invest sufficiently to stay in the game but avoid premature commitments; i.e. pharma buying minority shares in gene tech start-ups

Adapted from Courtney et al, Strategy under uncertainty, HBR 1997.

Three Actions to fulfill Strategic Intent

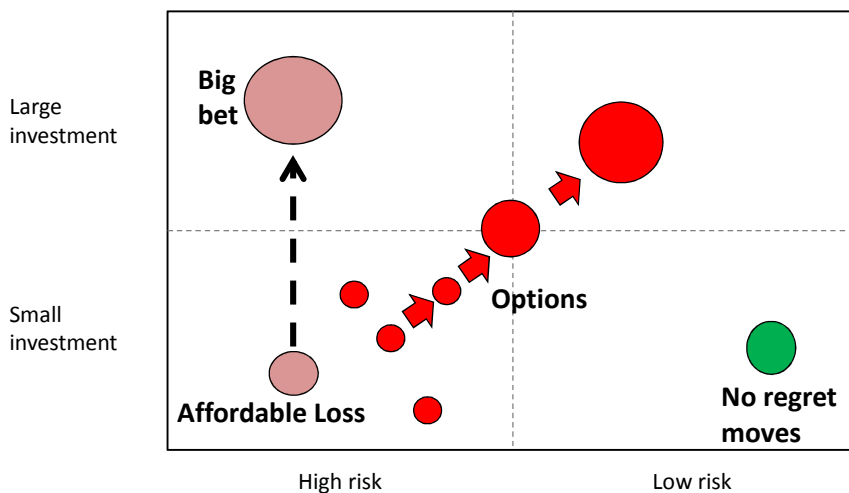
BIG BETS or large commitments that payoff in some scenarios but not on others

OPTIONS or decisions that yield a significant payoff in some outcomes and a small negative in others; i.e. pilot trials, limited JVs to enter new markets, licensing alternative technologies

NO REGRET MOVES or moves that pay off no matter what happens; i.e. Enhance existing business, reduce costs

Adapted from Courtney et al, Strategy under uncertainty, HBR 1997.

Strategic Actions at Level 3 & 4



Adapted from Courtney et al, Strategy under uncertainty, HBR 1997.

?



Rabobank



Shape the future

KAPITAAL
OPMAAT

Bankvrij financieren voor het MKB

KICKSTARTER





B
voor
je Buurt

Crowdfunding
voor je buurt, dorp of stad

zo doe je mee

?

Shape the future

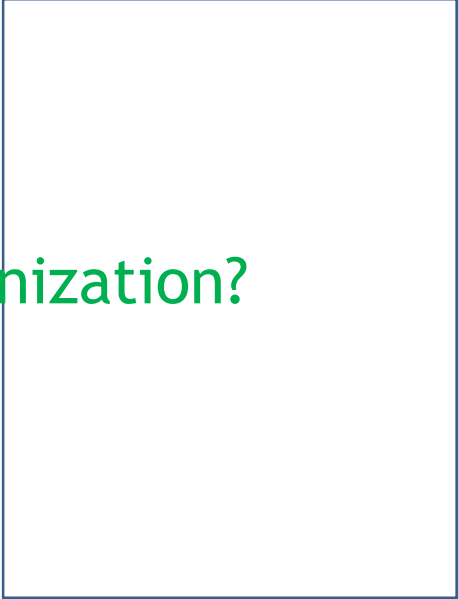


The image shows a collection of logos and images. On the left, there is a question mark. To its right, under the heading 'Shape the future', are logos for NUON (yellow and purple), essent (red and blue), and Shell (red and yellow). Below these are images of a red Tesla car and a white Tesla charging station.

?

Shape the future

your organization?



The image shows a question mark on the left and the heading 'Shape the future' on the right. Below the heading is a large, empty rectangular box. In the center of the slide, the text 'your organization?' is written in green.

In sum

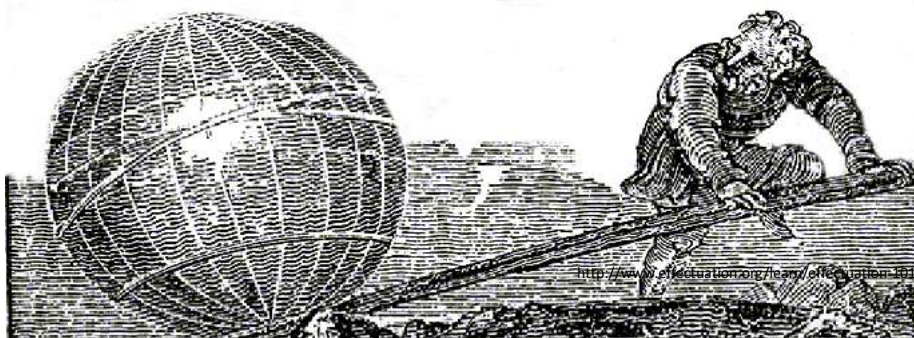
Prediction works best in mature, stable environments, but, for lack of other tools, it often gets called into duty in the wrong settings.

Expert entrepreneurs work hard to directly control and influence uncertain environments and these same efforts may also apply in relatively mature and stable environments.



Effectuation: surprises

- Avoid Surprises.
- **Leverage Surprises.**
Surprises can present new opportunities.



How do you deal with surprises?

	Unexpected information	Unexpected meetings	Unexpected events
Positive (serendipitous)			
Negative (Murphy's Law)			

How do you transform surprises into positives?
How can they be leveraged into new of different opportunities?

Making surprises work for you

- **Social networking** (externally as well as internally)

It was the wandering between different development teams by Sony's Chairman that connected two disparate projects into the speaker system for the Walkman.

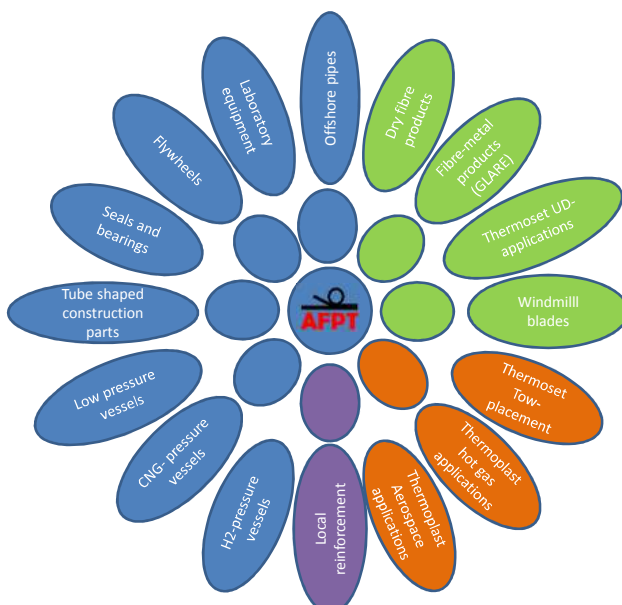
- **Openness to experiences**

Studies of entrepreneurial psychology show that in general entrepreneurs score higher on this variable than comparable managers. The variable expresses intellectual curiosity and in search of new experiences.

- **Opportunity framing**

Entrepreneurial research shows that in general entrepreneurs see the world in terms of opportunities, while corporate managers are more likely to see the threats and risks in a given scenario. Worldview: the world can be transformed vs the world is difficult to shape.

Business opportunities



AFPT's technology offers endless opportunities.

AFPT has found machine building partners to address the blue opportunities.

AFPT has also found possible partners to sell or license its tape placement technology and is closing the deals in 2011.

FILL in Austria
ADC in USA
AWL in The Netherlands

Open IP

"Tesla Motors was created **to accelerate the advent of sustainable transport,**" Musk wrote in a blog post. "If we clear a path to the creation of compelling electric vehicles, but then lay intellectual property landmines behind us to inhibit others, we are acting in a manner contrary to that goal."



Effectuation: attitude towards others

Competition.

Set up transactional relationships with customers and suppliers.



Partnership. Build your "future" i.e. together with customers, suppliers and prospective competitors.

<http://www.effectuation.org/learn/effectuation-101>



Effectuation: underlying logic & what to do?



To the extent we can predict the future, we can control it.

⇒ PLAN

To the extent we can control the future, we don't need to predict it.

⇒ MAKE (market creation)

<http://www.effectuation.org/learn/effectuation-101>

In Sum

- Understand when an innovation is really new from the customer perspective
- Don't treat it as an incremental innovation
- Use different methods and build the capabilities and mindset:
 - Customer & testmarket development before tech. dev.
 - Hire the industry/market capabilities (bird in the hand)
 - Focus
 - Look at the affordable loss aside from the upward potential
 - If you do fail, learn and see whether you cannot turn some of it into success in another market
 - Partner

