

Myths about Entrepreneurship:

Entrepreneurship is:

1. fun. It can be, but it's very hard work too.
2. the way to a fortune - about 1% of the time.
3. let's you use other people's money - rarely
4. a win with venture capital investment – not necessary
5. requires dropping out of school, quitting job etc.
6. Entrepreneurs are introverted genius inventors
7. Entrepreneurs are young people.
8. Venture capital is validating.
9. Disruptive products are required.
10. There is no entrepreneurship in big companies

Definitions of Entrepreneurship:

Drucker: innovation is specific instrument of entrepreneurship

Baumol: imaginative deviator from established business patterns and practices

Stevenson: pursuit of opportunity beyond the resources you currently control

Bygrave et al: anyone who starts a new business

Schumpeter: person who destroys the existing economic order by introducing new products and services

Entrepreneurship: An approach to any problem or need that is creative, innovative, original or circumvents traditional barriers

History of ENT

1,000's years ago - people needed stuff, other people found ways to provide stuff

1920/50's - job security in a big corporation

1960/90's - evil, suit-wearing capitalists, concern capitalism would decrease free enterprise

1990/2010 - shifting job security, government support, technology

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2005/2015 “when I was in college guys pretended they were in a band, now they pretend they are in a start-up”

2015/current - creativity needs to be balance with solid business plan, autonomy; technology is enabling

Types of Small Businesses

Micro-enterprises - meant as supplemental income

SME - employ up to 100 people, stable profitability

High-growth firm - revenue or employment growing faster than average or economy

Gazelles - 20% annual yr/yr growth for 4 yrs

Unicorns- private start-up with valuation >\$1B

gorillas - market leaders with proprietary tech

- High Growth Businesses are the minority of businesses -average 7.4%
- Many companies start and end each year about 1% of start-ups (companies under 5 yrs., with 10 employees) in Canada are gazelles

Startup: organization formed to search for a repeatable and scalable business model

10 D's

1.**Dream** – vision

2.**Decisiveness** - quick decisions

3.**Doers** – implementation

4.**Determination** - never give up

5.**Dedication** – commitment

6.**Devotion** - love what they do

7. **Details** - critical detail

10. **Distribute** - share with those who matter

8. **Destiny** - in charge of, that is

9. **Dollars** - as a symbol of success

- Small biz = 100 or less employees → employs 5 M or 48% of labor force
- 1.1 M business, 98% small
- 50% of full time businesses are unincorporated
- 15% of labor force call themselves ENTs
- 100K new ventures born in Canada annually
- 55% of businesses in Canada have less than 4 employees
- 77% of new ventures survive min 1 yr; only 36% new ventures survive 5 yrs
- **high growth firm**: firm whose business generates significant positive cash flow
- Industry Canada's 3 reasons for increase in ENT:
 1. People want control over paycheques
 2. Younger people like independent lifestyle
 3. ENTs are becoming influential
- **2 types of ENT activity**:
 1. nascent ENT: ppl who are actively trying to start a new business but haven't yet
 2. baby business managers: owner managers of biz that is no more than 42 months old
- **3 main measures of ENT activity**:
 1. TEA (total ENT activity): % of adult pop that is nascent or baby business or both;
 2. TEA (opportunity): % of pop that is trying or started baby business to exploit perceived opportunity; improvement driven opportunity motivated
 3. TEA (necessity): % of pop trying to start a baby biz bc all other options for work either absent or unsatisfactory

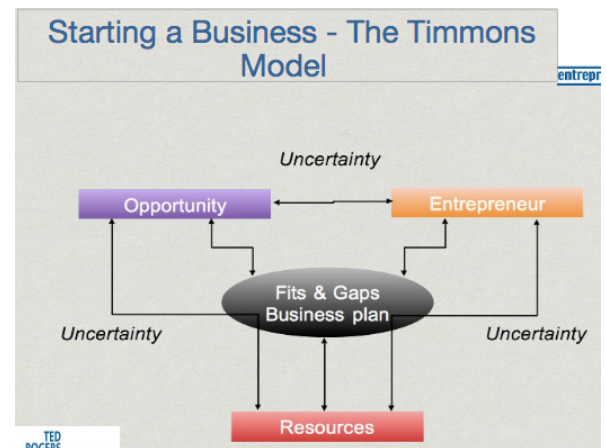
Week 2:

Adoptable Traits of an ENT:

1. **Attitude towards Risk/ risk tolerance**
 - i. What's the worst that can happen attitude
 - ii. ENTs they risk tolerant
 - iii. Perception is diff from others --> risk to one is something to be explored to ENTs
 - iv. Worst case --> you invest everything and you lose it
2. **Internal Locus of Control**
 - i. related to desire to be in control of circumstances
 - ii. tendency to see situations as under their control, take responsibility
3. **High Adversity Quotient**
 - i. Control, Ownership, Reach, Endurance (C.O.R.E.)
 - ii. How are events perceived - situations beyond your control, setbacks, criticism, lack of consideration, feeling no control over situation
 - iii. How consuming are they? Do you take responsibility, dwell on it, develop solutions, understand when to ride it out?
 - iv. Ownership: how much you feel something is your responsibility

Timmons Model:

1. **Opportunity**
2. **The Lead Entrepreneur and Management Team:**
 - Experience within the proposed industry?



- Source of creative ideas/inspiration
- Investors prefer to see a track record of driving growth and profits
- An 'A' team with a 'B' idea is almost always better than the opposite
- → take the right action

3. Resources:

- Capital, technology, equipment, and most importantly people
- Low overhead, high productivity, and controlling, but not owning resources
- Find ways to get things done faster, cheaper or better!
- → Make it Feasible

ENT characteristics, Born or Built?

1. ENTs are lifelong learners

- Always reading, improving self

2. Have empathy and provide a solution

- Act on empathy to provide service or act
- Empathy can be developed

3. Be a go-getter

- Does not take no for an answer

Alexander Graham Bell video:

- Adversity example: he had to learn/create sign language to communicate w/ deaf mother
- Invented telephone

Recognizing Opportunity:

1. Unmet need



a.

2. Creative Destruction

- a. innovative products that cause fundamental change in the 'economic order

3. 10x solution

- a. 10x faster, better, stronger, cheaper
- i. ex. Email is 10x faster than snail mail

4. Timing

- a. When an unmet need is suddenly met
- b. Being aware of what's going on in the environment leads to opportunity
- c. Ex. Smoke detectors'
- i. Swiss physicist Walter Jaeger was working to invent a sensor for poison gas, but was failing. Sitting at his desk, he lit a cigarette and was startled to notice his "poison" device was responding to the smoke emitting from his coffin nail. His work translated into the road map for modern smoke detectors.
- Enabling – invention
 - 10x better/cheaper - batteries, plastic housing
 - Growth market - contractor sales (#of new home starts), legislation (# of bedrooms in NA)

- Unmet need - prevention of fire spreading to destruction
- d. Idea → trigger event → startup → growth business

Where do opportunities come from?

- **External Changes:**
 - demographic: caused by wars, migrations, medical tech.
 - perception and fashion brought about by changes in the economy
 - awareness caused by new knowledge
 - technological
 - market demand in general and fashions in particular
 - changes in policy regime and changes in the law
- **internal:**
 - The unexpected – the unexpected success, the unexpected failure, the unexpected outside event
 - The incongruity – between reality as it actually is and reality as it is assumed to be or as it "ought to be"
 - Innovation based on process need; any inadequacy in a business process that is taken for granted
 - Changes in industry structure or market structure that catch participants unaware

Key Characteristics of Opportunity:

- **Timely** (the market is ready)
- **Durable** (will last long enough to generate ROI)
- **Attractive** (Huge Profit Potential)
- **Customer Centric** (solves a real pain)
- **Difficult to imitate**

Good Opps have good chances of financial success

- to fund the launch of the company
- to prove viability of the business
 - high growth businesses and the mythical creatures must be scalable
 - good businesses leverage value

Sleeman case:

- 3 oppurtunites:
 1. pub - need - relaxed bar environment, 10x better?, timing, knowledge, competitive advantage?
 - a. liked beer from UK and saw there wasn't many in Canada so he started a pub
 2. beer distributor - customer demand, relationships developed, 10x better beer
 3. family recipe/business - quality of beer, upscaling of beer, proprietary resources,

Why customers trump investors:

1. customers can provide feedback
2. they are your market
3. provide a positive feedback loop
4. provide proof of concept

Week 3:

Finding Oppurtunites:

1. Idea multiplication
 - a. **Double dipping:** a company's ability to generate multiple revenue streams from 1 product & stems from the idea of multiplication → build once, sell twice, make \$ 3x

Good Opportunities	
Product Desirability <ul style="list-style-type: none"> ● 10x Rule ● Unique Value Proposition ● Defensible Competitive Advantage 	Financial Feasibility <ul style="list-style-type: none"> Larger and Growing Market (CAGR) ARPU (revenue/user) > COCA (cost of client acquisition)
General Feasibility <ul style="list-style-type: none"> ● Access to Customers ● Access to needed Resources 	



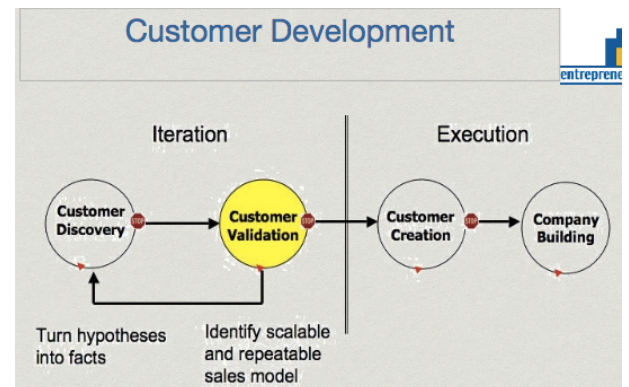
- Gather Stimuli
 - Gather stimuli thru customer anthropology which is observing customers in action in natural environments
 - Multiply Stimuli
 - Report back and start brainstorming on how to find a solution
 - Create Customer Concepts
 - Build a simple mockup of the concepts
 - Minimum viable product: minimum feature set that a customer is willing to pay for
 - Bare bones and not the final product
 - Optimize practicality
 - Team will ID unnecessary, impractical, or too expensive features
2. Product leverage
 3. SWIPE
 - a. Steal With Integrity, Pride and Enthusiasm
 4. Design thinking
 - a. Redefine probs in attempt to ID alt.solutions

5 steps to opportunity evaluation:

- Step 1: ID a biz idea
- Step 2: Test the idea to determine its preliminary feasibility
- Step 3: Conduct a full feasibility analysis
- Step 4: Prep a written biz plan
- Step 5: Launch biz

Customer development:

1. Do you know who they are?
2. Do you understand what they really need?
3. Will they buy?
4. Can you make and deliver your product?



- finding your customers “in the wild” and understanding how they really use your product
- the process of identifying, finding and talking to your customers to validate the assumptions you’ve made about your business
- While validating need, consider the size of the market -or how many people have the need, which requires really understanding the need
- Consider alternatives - what else do people do to address their need?
- Consider the strength of the competition

Assessing Opportunities – Learning from Customer Validation:

Steve Blank

- Rule 1 - never say ‘we have no competition’, really understand competing products
- Rule 2 - prove potential customers want the solution you are offering
- Rule 3 - it's not about features, it's about the need addressed
- Rule 4 - 'there is nothing like my product' - then no one will understand why they need it

Assessing Opportunities – Questions to ask customers:

- identify who the target market is
- determine the need fulfilled
- identify more and less desirable features

Week 4:

business model: describes the rationale of how an organization creates, delivers, and captures value, in economic, social, cultural or other contexts

Business model = revenue model – cost model

The **revenue model** breaks down all the sources of revenue that your business will generate.

The **cost model** identifies how you are spending your resources to make money. It includes your cost of goods sold (COGS) and your operating expenses.

Value Proposition:

What value is provided to customers? Who are they and what problem is being solved? What need is addressed?

What is the product - how does it solve the problem?

What is the competitive advantage?

The Blank Approach:

1. Customer Discovery

- Goal is to Achieve Problem/Solution Fit
Problem/Solution fit means you answer: Does this Problem exist? And can I Solve it?

2. Customer Validation

- Goal is to Achieve Product/Market Fit
- Product/Market fit means being in a good market with a product that can satisfy that market
- Achieving Product/Market fit requires at least 40% of users saying they would be “very disappointed” without your product.

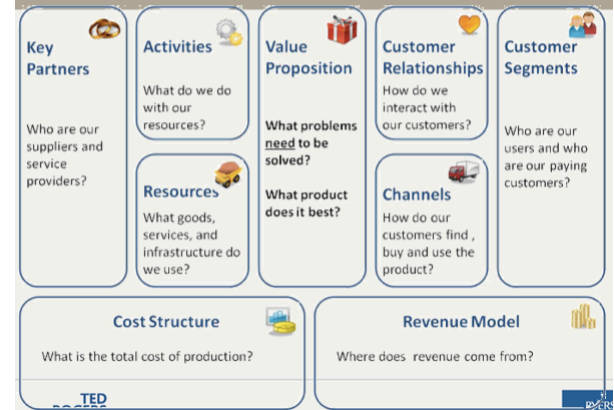
3. Customer Creation – Drive Demand

4. Company Building – Scale the Company

Hypothesis Testing:

- A hypothesis is a way of taking a question and turning it into testable prediction.

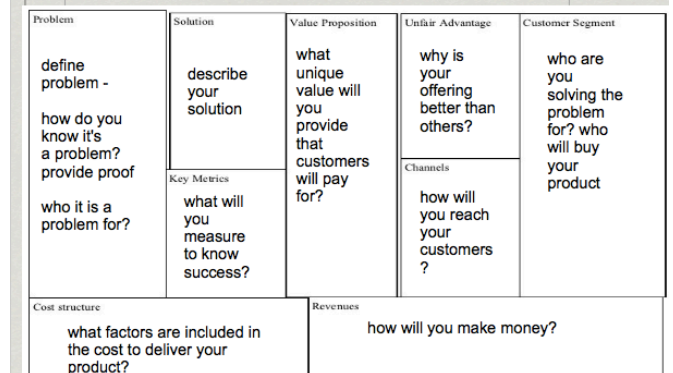
Business Model Canvas



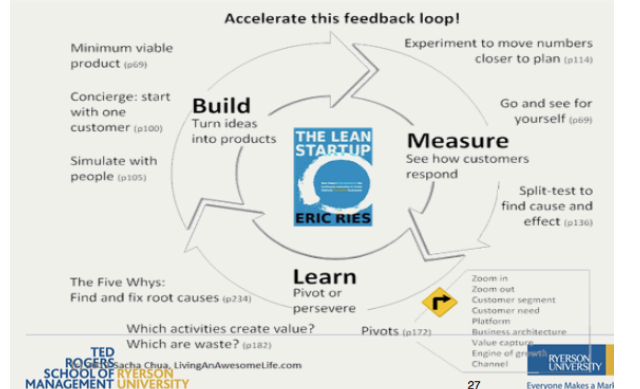
Lean Startup Canvas



Lean Canvas



Opportunity Development - Lean Startup



- A good hypothesis is important because it leads to good experimental design. Good experimental design is important because you need it to properly validate or invalidate what you're doing.
- The key outcome of an experimental approach is measurable evidence and learning.

The basic structure for testing an entrepreneurial venture is:

- I believe [target market]
- will [do this action / use this solution]
- for [this reason].

→ ex. We believe there is sufficient value in our scheduling app that current no fee users will pay \$2 per month to switch to an ad-free version

A good hypothesis should be:

- Written down in advance
- Be testable
- Be quantifiable

1. Write down your hypothesis
2. Pick a single variable to test. (eg. price, features, channel)
3. Use statistically sound methods. Ask enough people. Ask in an unbiased way. Compare groups.
4. Document results.
5. Don't get carried away - limit testing to the absolutely necessary.

A/B testing:

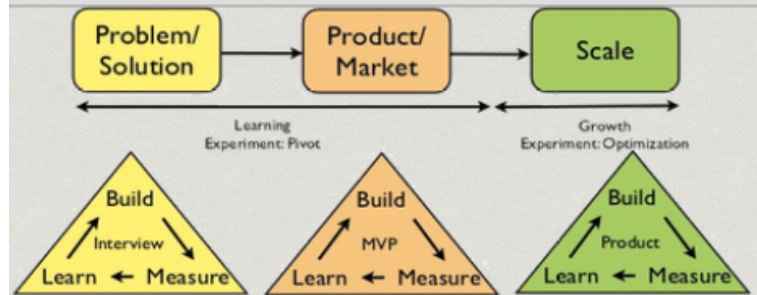
(sometimes called split testing) is comparing two versions of a web page to see which one performs better. Show the two variants (let's call them A and B) to similar visitors at the same time. The one that gives a better conversion rate, wins!

Week 5:

Business plan: Provides a comprehensive, coherent description of the business in such a way as to make it clear the creative idea is a great opportunity that has a reasonable chance of success

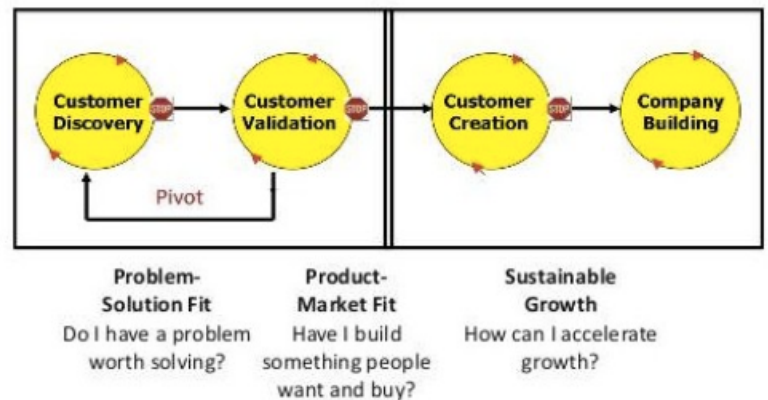
- Why the business was started
- Competition?
- Market Size?
- Industry Dynamics
- Stage of Development
- Who is Involved?
- Financial Projections
- Investment Need

Customer Development meets Lean Startup

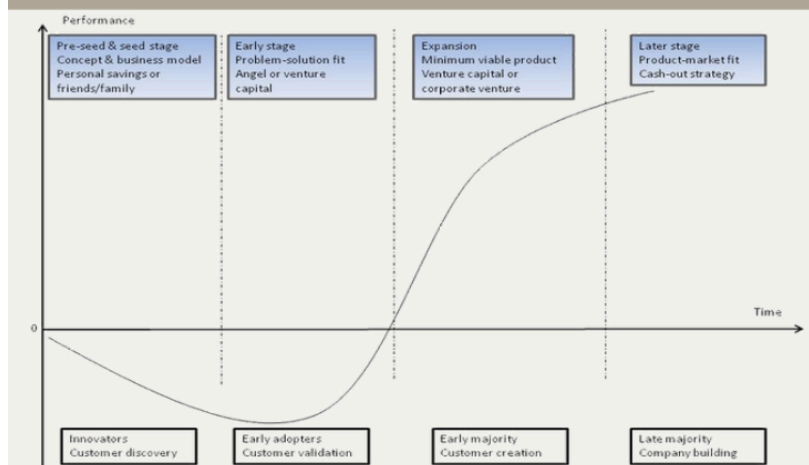


Sonntag, 30. September 12

Customer Development Stages



Startup Lifecycle: The S Curve



BP Outline:

- Cover Page
- Executive Summary
- Industry, Customer, Competitor Analysis
- Company and Product Description
- Marketing Plan
- Operations
- Development Plan
- Team
- Risks
- Financial Plan (Appendix)

Cover Page

- Includes company name, tagline, contact info, address, etc
- Should include a disclaimer msg

Executive Summary

- Must hook the reader
- Need to include overview, biz concept, industry overview, target mkt, comp. advan, financial snapshot

Industry, Customer, Competitor Analysis

Industry

- Show the opp and how you will use it
- Explain the market and how you expect to grow with it
- Talk abt market in terms of revenues, growth, and future trends

Customer

- Have customer profile
- Define who cust.is using demographics and psychographic information

Competition

- Complete it using competitive profile matrix
- Direct competition, indirect (includes companies that are in the same space, target same users, etc) and status quo competition (getting ppl to switch over)

Company and Product Description

Marketing Plan

- Target marketing
 - Understand rational and emotional purchases
- Product/service
 - How will you diff your product?
- Pricing
 - Canvass prevailing prices to find your prods value
- Distribution
 - How your prod will reach the customer
- Mkting comm.
- Sales and marketing

Operations

- How operations will add value to customer
- Have a strat overflow

Development Plan

- Have a development timeline

Team

Risks

Financial Plan (Appendix)

Why a Biz Plan?

- To Focus
- To Determine Value to Identify Markets
- To Identify Customers
- Communicate
- To Think through Assumptions
- To create content
- To share key messages
- As reference

7 P's of a Good Pitch

1. **People** – Who are the people behind the venture? Can they successfully build a company?
2. **Pain** – The bigger the “pain” the company is solving, the better
3. **Product** – Is the product or service 10 times better, 10 times faster, 10 times cheaper?
4. **Placement** (industry) – Is the cumulative annual growth rate (CAGR) of the industry > 25%
5. Go to **market Plan** – Is the plan reasonable, not right
6. **Pitch** – Is the pitch clear, confident and concise
7. **Proposal** – Is the reward worth the risk

10 Magic Slides: Investor Desks

1. Problem
2. Your solution
3. Business model
4. Underlying magic/technology
5. Marketing and sales
6. Competition
7. Team
8. Projections and milestones
9. Status and timeline
10. Summary and call to action

Elevator Pitch

Elevator Pitch = Customer Pain + Startup Solution

Must be:

1. **Irrefutable** – the pain statement should not be subjective
2. **Greed/Interest Inducing** – should illustrate how an investor can make money/a difference
3. **Easily Understandable** – simple enough that anyone understands regardless of their background
4. **Succinct** – short enough to be said in 3 to 4 sentences or 1 to 2 minutes

Key Elements of Pitches

- Key Performance indicators, including Pirate Metrics
- Show Don't Tell
- Traction
- Valuation/Proposal
- Visuals

Dave McClure's Pirate Metrics

Acquisition → how do users find you?

Activation → do users have a great first experience?

Retention → do users come back?

Revenue → how do you make money?

Referral → do users tell others?

Key Performance Indicators

Customer Acquisition Costs (CAC) – COCA, equal to your sales and marketing expenses divided by the # of customers

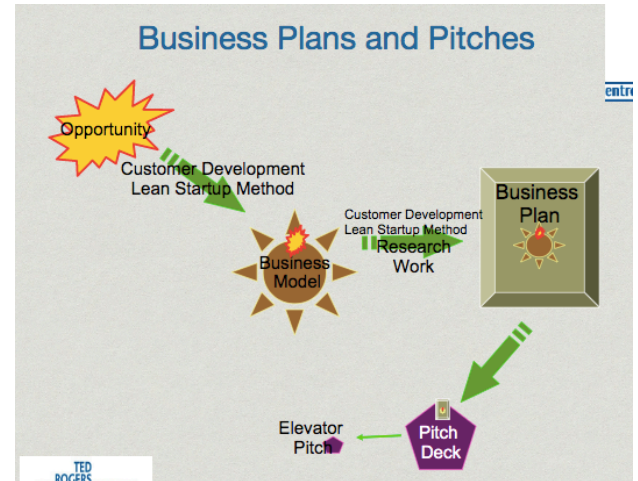
Customer Retention - % of new customers that stay

Life Time Value (LTV) – ARPU x retention, how much one customer is worth to your company.

Product Metabolism - how quickly your team makes decisions and rolls out updates to your products

Viral Coefficient - measures your initial customers and the number of invites they send out

Conversion Rate - activation rate, a measure of the # of visitors who become customers



Traction

Traction is proof that somebody wants your product. Ideally, it should communicate momentum in market adoption.

Forms of Traction

Broadly, traction is most convincing in the following order:

1. Profitability
2. Revenues
3. Active users
4. Registered users
5. Engagement
6. Partnerships/clients
7. Traffic

10/20/30 Rule of PowerPoint

- No more than 10 Slides
- No more than 20 minutes
- No less than 30-point font

Questions Investors Ask

- What do you do? Why is it needed?
- Who agrees with you?
 - 3rd Party Traction
 - Death by “No Competition”
- How much capital do you need?
 - 12-18s months of runway
 - To hit next milestone
- What are you going to do with my Cash?
 - Focus on objective targets and concrete actions
- How much is it worth (i.e. valuation)?
- Why you?
- What are your goals?
- How did you come up with this?
 - What stops me from taking it to China?
- How do you scale?
- What stops me from doing it myself?
- Who else believes?
- How do we make money?