

Innovation and Entrepreneurship:Lecture 20

Course Instructor:
Dr Bishwajeet Pandey



Syllabus

Course Content:

Unit I: Introduction to Entrepreneurship: Entrepreneurs; entrepreneurial personality and intentions - characteristics, traits and behavioral; entrepreneurial challenges.

Unit II: Entrepreneurial Opportunities: Opportunities. Discovery/ creation, Pattern identification and recognition for venture creation: prototype and exemplar model, reverse engineering.

Unit III: Entrepreneurial Process and Decision Making: Entrepreneurial ecosystem, Ideation, development and exploitation of opportunities; Negotiation, decision making process and approaches, Effectuation and Causation.

Unit IV: Crafting business models and Lean Start-ups: Introduction to business models; Creating value propositions-conventional industry logic, value innovation logic; customer focused innovation; building and analyzing business models; Business model canvas, Introduction to lean startups, Business Pitching.

Unit V: Organizing Business and Entrepreneurial Finance: Forms of business organizations; organizational structures; Evolution of Organisation, sources and selection of venture finance options and its managerial implications. Policy Initiatives and focus; role of institutions in promoting entrepreneurship.



OUTLINE OF LECTURE 19

- Introduction to Business Models
- Building and Analyzing Business Models
- Business Model Canvas
- Creating Value Propositions



OUTLINE OF LECTURE 20

- Conventional Industry Logic
- Value Innovation Logic
- Customer Focused Innovation
- Introduction to Lean Startups
- Business Pitching



What is conventional Industry logic?

- **Conventional logic** leads companies to compete at the margin for incremental share by focusing only in building advantages regarding their competitors.
- Value innovators analyze the competition but do not use them as benchmarks.
- Instead, focus on dominating the market by offering tremendous leap in value.

What is meant by value innovation?

- **Value Innovation** is the simultaneous pursuit of differentiation and low cost, creating a leap in **value** for both buyers and the company.
- The concept of **Value Innovation** is developed by W. Chan Kim and Renée Mauborgne and is the cornerstone of market-creating strategy.

What do innovation values involve?

- **Innovation** must also be about helping our people and our organizations achieve their full potential through the shared pursuit of its six core **values**: capability, inclusivity, possibility, opportunity, sustainability and responsibility.

Which factors are often included in the value curve?

- An effective strategy needs to have three main factors:
 - A clear focus.
 - Divergence from the **competition**.
 - A compelling tagline.

Conventional Logic Versus Value Innovation

Conventional strategic logic and the logic of value innovation differ along the five basic dimensions of strategy:

1. Industry assumptions: while conventional logic takes industry conditions as given, value innovators challenge them
2. Strategic focus: Conventional logic leads companies to compete at the margin for incremental share by focusing only in building advantages regarding their competitors. Value innovators analyze the competition but do not use them as benchmarks. Instead, focus on dominating the market by offering tremendous leap in value

Conventional Logic Versus Value Innovation

- Customers: value innovators do not segment the market, they focus on the commonalities in the features that customers value
- Assets and capabilities: Unlike the majority of companies which define business opportunities based on which assets and capabilities they have, business innovators assess opportunities without being constrained by their actual condition
- Product and service offerings: Innovators do not limit their selves by the products and services that already exist in the market. They try to solve customer needs by giving them alternatives to the ones which already exist in the market.

What is Blue Ocean vs Red Ocean?

- Products become commodities or niche, and cutthroat competition turns the **ocean** bloody; hence, the term "**red oceans**".
- **Blue oceans**, in contrast, denote all the industries not in existence today – the unknown market space, untainted by competition.
- In **blue oceans**, demand is created rather than fought over.

Customer Focused Innovation

- **Customer-Focused Innovation** is the perfect blend of theory and practice, strategy and innovation-an opportunity to flex both your business and your creative innovation.

What is customer focused innovation?

- **Customer-focused innovation** involves
 - developing, manufacturing, and marketing new products that meet **customer** needs at a faster pace than the competition; and
 - a **focus** on inserting the “voice of the **customer**” into the design process to better capture **customer** expectations and preferences.

What are five examples of customer focused behavior?

The following are illustrative examples of customer focus.

- **Customer Needs.** Developing products and services to meet **customer** needs.
- **Customer Preferences.** Viewing **customers** as individuals with different preferences.
- Voice of the **Customer**.
- **Customer Advocates.**
- **Customer is Always Right.**
- **Metrics.**

Introduction to Lean Startups

- A **lean startup** is a method used to found a new company or introduce a new product on behalf of an existing company.
- The **lean startup** method advocates developing products that consumers have already demonstrated they desire so that a market will already exist as soon as the product is launched

What are the 3 steps in the lean start up?

- Here are **three steps** entrepreneurs can take to begin building a **lean startup**: Find, Execute, and Validate.

Who uses lean startup?

- Dropbox is one of the best known examples of a business that has grown using lean startup principles.
- The file transfer service now has over 500 million users worldwide but it started life as a minimal viable product in the form of a 3 minute screencast showing consumers what Dropbox could do.
- Response to the video enabled Dropbox to test if there was demand for the product and, at the same time, capture an initial audience through a waiting list.
- But most importantly comments on the video provided a way for Dropbox to gain high-quality feedback from target customers which the team subsequently used to shape product development in line with consumer needs.

Which is the first step in creation of a lean startup?

- A core component of **Lean Startup** methodology is the **build-measure-learn** feedback loop.
- The **first step** is figuring out the problem that needs to be solved and then developing a minimum viable product (MVP) to begin the process of learning as quickly as possible.

Business Pitching

- A **business pitch** is a presentation by one or more people to an investor or group of investors, though it can also be an email, letter, or even a conversation.
- People **pitch** a **business** because they need resources. If the goal is to raise startup cash, the target of the **pitch** is an investor.
- Other **businesses pitch** to potential customers to sell their product.

How do you write a business pitch?

- Take only ten minutes. ...
- Turn your **pitch** into a story. ...
- Be laser-focused. ...
- Explain exactly what your product or service is. ...
- Explain exactly what is unique about your product or service. ...
- Explain exactly who your target audience is. ...
- Explain exactly how you intend to acquire these customers. ...
- Explain your revenue model.