

Enterprise Management and Entrepreneurship MIEIC 2021-2022



Lia Patrício, José Coelho Rodrigues, Marta Campos Ferreira

Entrepreneurship: from idea to business

José Coelho Rodrigues

Content

- Introduction
- Strategic Learning and Experimentation
- Business Models
 - Product-Market Fit
 - Connecting to customers
 - Operations
- Entrepreneurial Strategy – An integrative logic

Entrepreneurship

Introduction

Introduction – from idea do business

- What does it take to go from **an idea to a business?**
 - Business Model + Customer Development
 - Hypothesis testing of the business model(s)
 - Get “out of the building”
- Difference between a vision and a hallucination
- Experiential learning: talk to stakeholders – customer, partners, competitors...; observation

Introduction – from idea do business

Definitions:

- **Company**
 - A business organization which sells a product or service in exchange for revenue and profit
- **Startup**
 - A **temporary** organization designed to **search** for a **repeatable and scalable business model**
 - A Startup **aims to become a company**

Introduction — from idea do business

What we used to believe vs. What we now know

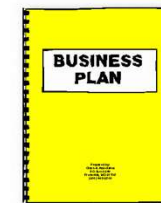
- Startups are a smaller version of a Large company
- Startups Search;
Companies Execute

Introduction — from idea do business

What we used to believe vs. What we now know

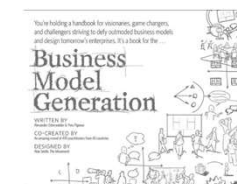
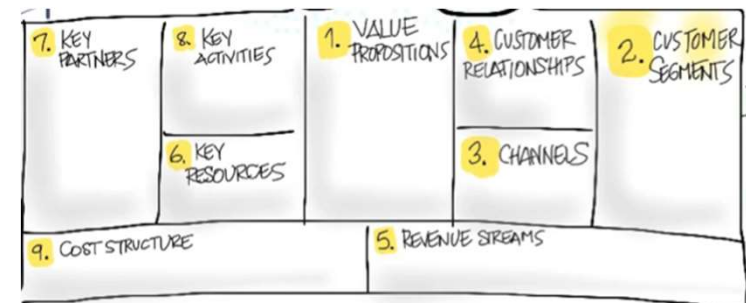
Strategy

- Start with an Operating Plan and Financial Model
 - All I need to do is Execute the Plan
 - All I need to do is Make the Forecast



Balance Sheet											
Year											
	1999	2000	2001	2002	2003						
Assets											
Cash and cash equivalents	58.27	58.18	57.62	58.83	57.86						
Accounts receivable	128.54	128.19	128.77	128.81	130.86						
Inventory	128.73	128.48	128.75	128.27	130.86						
Deferred income taxes	50.00	50.00	50.00	50.00	50.00						
Total current assets	355.54	354.85	355.14	357.91	370.58						
Fixed assets											
Cost	5111.84	5423.92	5563.87	5633.28	5690.86						
Accumulated Depreciation	588.72	585.89	582.40	582.26	582.89						
Net fixed assets	5111.84	5423.92	5563.87	5633.28	5690.86						
Goodwill	50.00	50.00	50.00	50.00	50.00						
Intangible assets	50.00	50.00	50.00	50.00	50.00						
Other assets	50.00	50.00	50.00	50.00	50.00						
Total assets	5284.58	5308.77	5369.01	5371.21	5462.44						
Liabilities											
Accounts payable	131.83	141.40	141.84	136.42	136.86						
Current debt	150.00	141.40	141.84	136.42	136.86						
Total current liabilities	281.83	282.80	283.68	272.84	273.72						
Long-term debt	50.00	50.00	50.00	50.00	50.00						
Other long-term liabilities	150.00	150.00	150.00	150.00	150.00						
Total liabilities	581.83	483.80	483.52	472.86	473.72						
Shareholders' equity											
Common stock and additional paid-in capital	100.00	100.00	100.00	100.00	100.00						
Retained Earnings	191.81	190.87	186.74	186.79	186.79						
Total shareholders' equity	291.81	290.87	286.74	286.79	286.79						
Total liabilities and shareholders' equity	873.64	774.67	770.26	759.65	760.51						

- No Business Plan survives first contact with customer
 - Planning comes before the plan



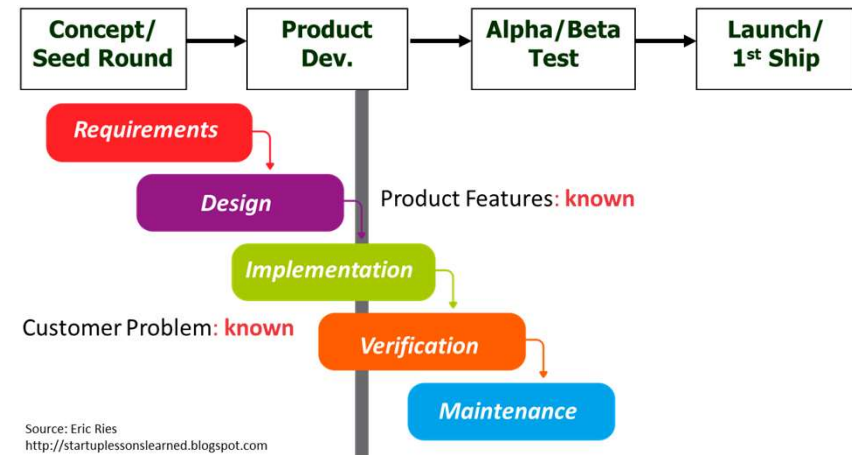
Introduction – from idea do business

What we used to believe vs. What we now know

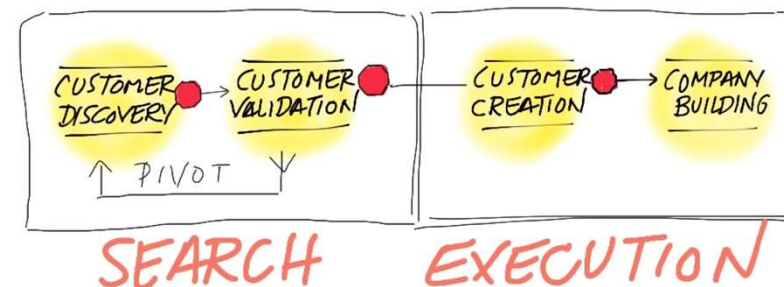
Process

- We built startups by managing processes

- Product introduction model
- Waterfall engineering (execution on two “knowns”)



- More startups fail from a lack of customers than from a failure of product development

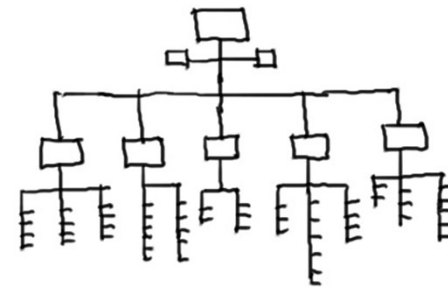


Introduction — from idea do business

What we used to believe vs. What we now know

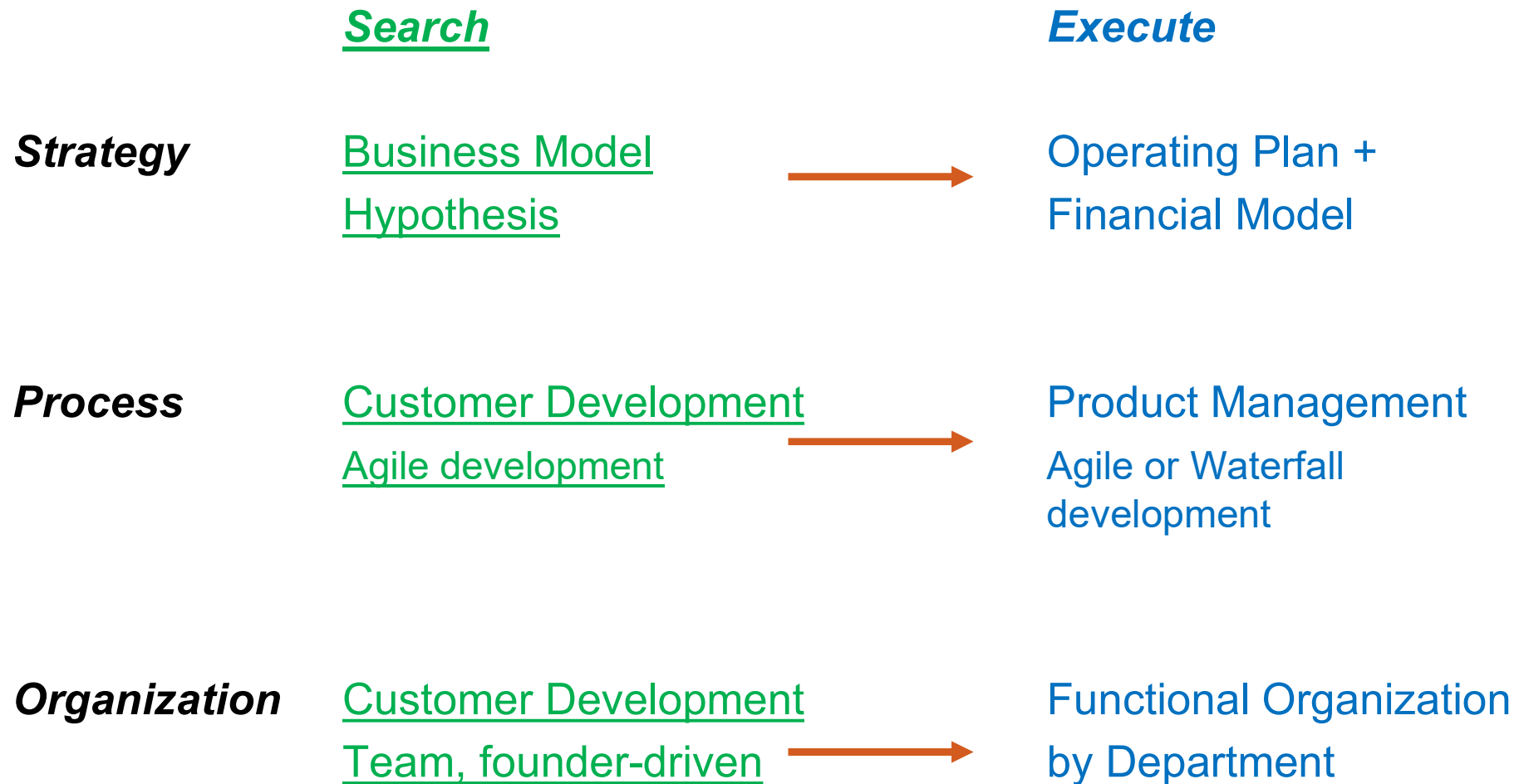
Organization

- Hire and build a Functional Organization



- Founders run a customer development team
 - No sales, marketing and business development

Introduction – from idea do business



Introduction — from idea do business

- Entrepreneurship begins with the **Search** for a **Business Model**
- **Experiential learning** to validate hypothesis about business model (and identify patterns)










Entrepreneurship

Strategic Learning and
Experimentation

Strategic Learning and Experimentation

- Entrepreneurship begins with the **Search** for a **Business Model**
- Create hypothesis (“**guesses**”)

The Business Model Canvas Designed for: _____ Designed by: _____ One: _____ Iteration: _____

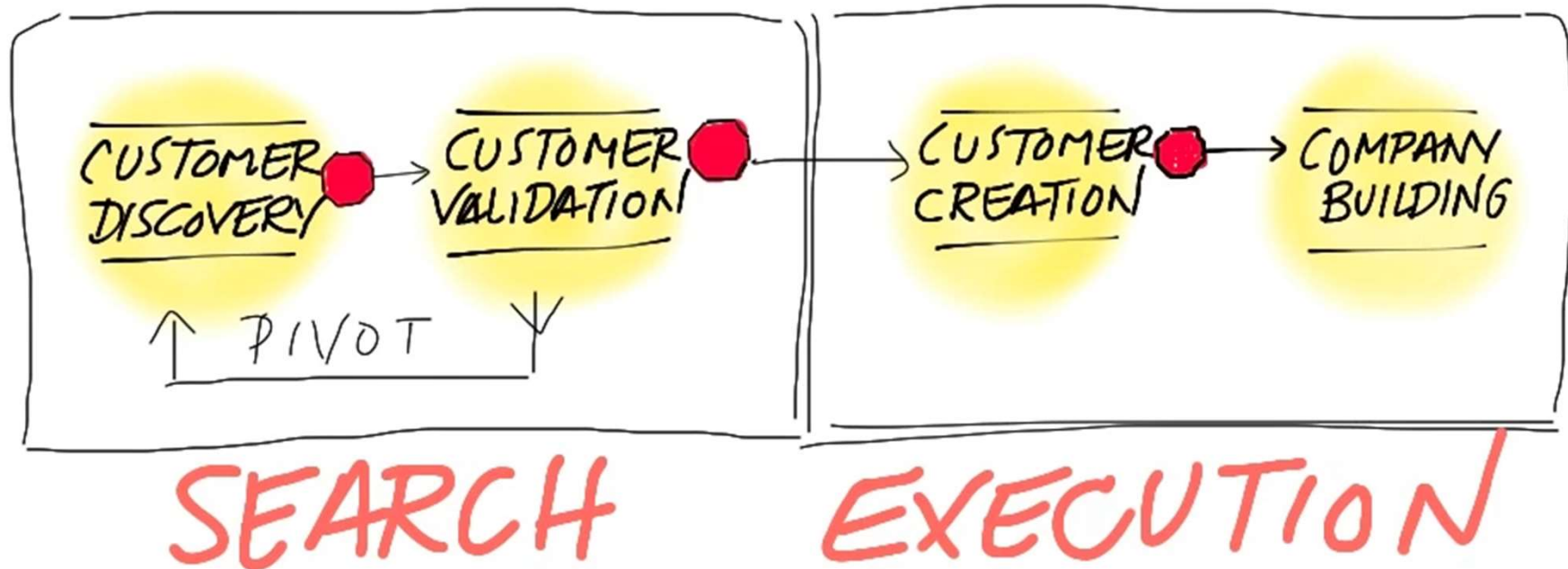
Key Partners <small>Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?</small>  Guess	Key Activities <small>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</small>  Guess	Value Propositions <small>What value do we deliver to the customer? What set of our customers' problems are we helping to solve? What bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying?</small>  Guess	Customer Relationships <small>What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which ones have we established? How are they integrated with the rest of our business model?</small>  Guess	Customer Segments <small>For whom are we creating value? Who are our most important customers?</small>  Guess
	Key Resources <small>What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</small>  Guess	Guess	Channels <small>Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated?</small>  Guess	
Cost Structure <small>What are the most important costs incurred in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?</small>  Guess		Revenue Streams <small>For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each Revenue Stream contribute to overall revenues?</small>  Guess		

www.businessmodelgeneration.com

Not a real business model. Only a canvas. © Alexander Osterwalder, Yves Pigneur, Business Model Generation, 2010. All rights reserved. This work is licensed under the Creative Commons Attribution-ShareAlike 3.0 license. You are free to share and adapt the work, provided you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license, and indicate if changes were made. You may not use the work for commercial purposes without the express written permission of the author(s).

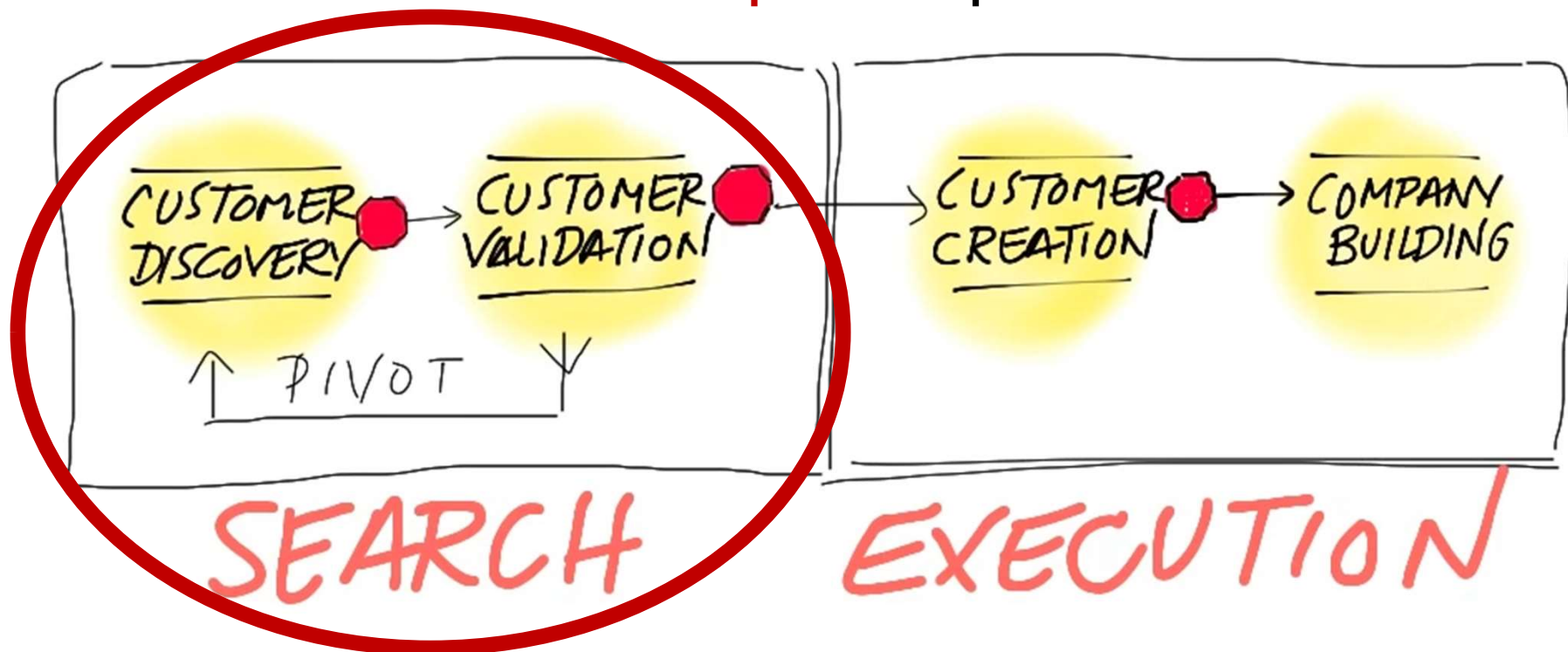
Strategic Learning and Experimentation

- How do we change “guesses” into facts?
- The customer development process



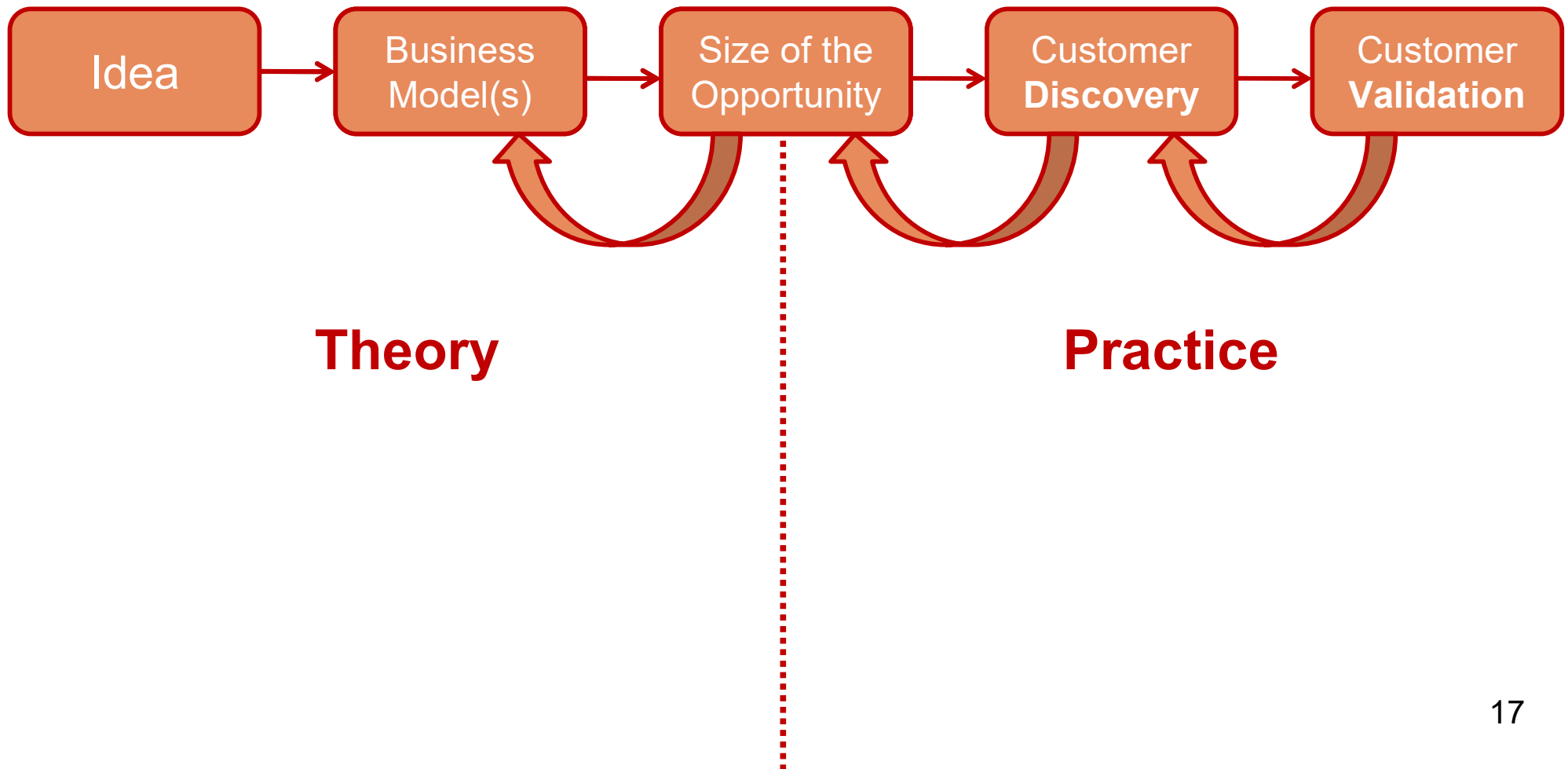
Strategic Learning and Experimentation

- How do we change “guesses” into facts?
- The customer development process



Strategic Learning and Experimentation

How to build a Startup?

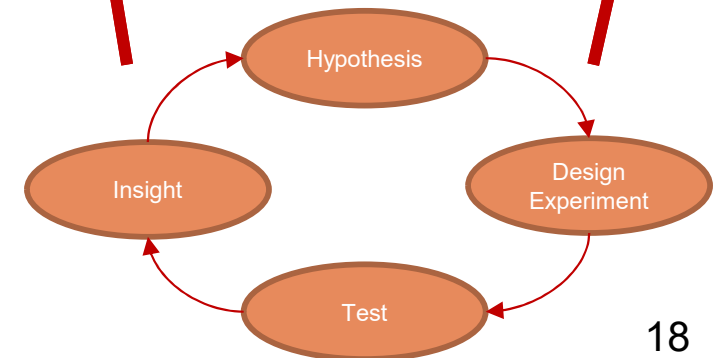


Strategic Learning and Experimentation

How to build a Startup?



- Experimenting to resolve **uncertainty!**
 - Learn through rounds of organized testing
 - **Need uncertainty**
 - **Technical uncertainty**
 - **Production uncertainty**

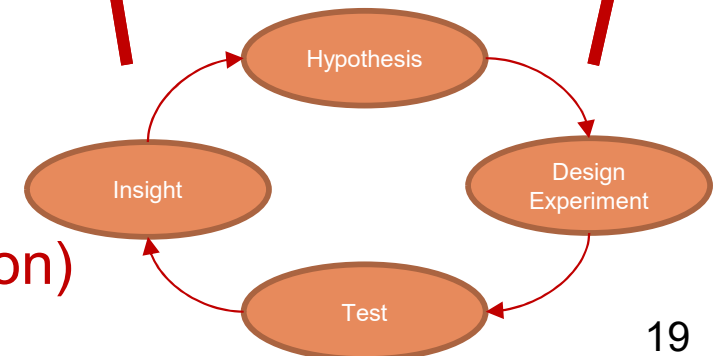


Strategic Learning and Experimentation

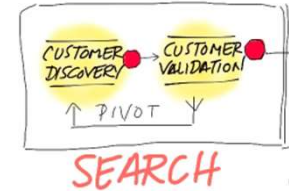
How to build a Startup?



- Experimenting to resolve uncertainty!
- First **test the problem (need)**
- Then **test the solution (technical/production)**



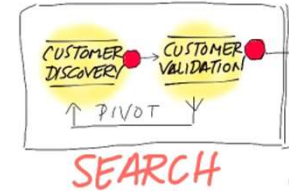
Strategic Learning and Experimentation



Customer discovery

1. State hypothesis
 - Draw Business Model
2. Test the problem
 - Get out of the building
 - Test understanding of customer problem or need
3. Test the solution
 - Build prototype
 - Test product-market fit
4. Verify or pivot business model

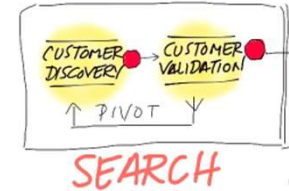
Strategic Learning and Experimentation



Pivot

- Pivots are possible results of hypothesis testing and experimentation
 - Hypothesis testing involves failure!
- Pivot is a substantive change to one or more components of the business model
 - Iterations are minor changes
- In a pivot, dismiss hypotheses that do not match reality
 - BUT, save the knowledge built!!!

Strategic Learning and Experimentation



Customer validation

1. Get ready to sell
 - Acquire customer; Prepare distribution channels
 - Build Minimum Viable Product (MVP) – minimum features required to get customers' feedback (and then add more features)
2. Get out of the building
 - “Test sell” to early evangelists
3. Develop positioning
 - Corporate and product positioning
4. Verify the business model (*pivot or proceed*)
 - Repeatable and scalable?

Strategic Learning and Experimentation

The example of IDEO

<https://www.youtube.com/watch?v=BPQt3XsfK9o>

- Company built on the ability to create innovation in a predictable manner

Strategic Learning and Experimentation

The example of IDEO

<https://www.youtube.com/watch?v=BPQt3XsfK9o>

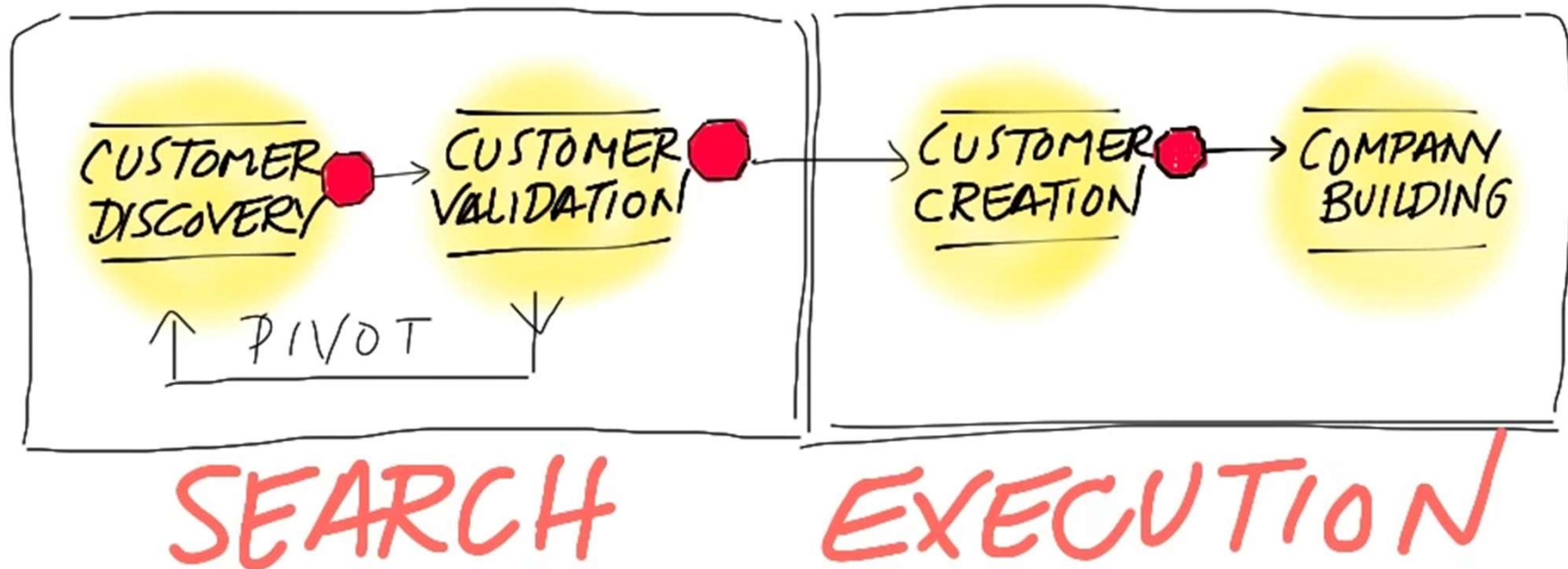
- Company built on the ability to create innovation in a predictable manner

Highlights:

- Learn from failure
 - Disqualify failed experiments and continue search
 - “Fail often to succeed sooner”
 - Avoid mistakes! Mistakes produce no new/useful information (\neq failure)
- Knowledge from failure or success can be stockpiled
 - Know what does not work is as important as knowing what does
 - Critical to keep track of failed hypothesis

Strategic Learning and Experimentation

- How do we change “guesses” into facts?
- The customer development process



Entrepreneurship

Business Models

Business Models

- How do we **create value**?
- How do we **deliver value** to customers?
- How do we **capture the value** delivered?

Business Models

Business Model Canvas

Key Partners <i>Who are the key partners and suppliers needed to make the business model work?</i>	Key Activities <i>What are the most important activities to make the business model work?</i> Key Resources <i>What are the most important assets to make the business model work?</i>	Value Propositions <i>What are we building and for whom?</i>	Customer Relationships <i>How do we get, keep and grow customers?</i> Channels <i>How does the product get to customers?</i>	Customer Segments <i>Who are our customers?</i> <i>Why would they buy?</i>
Cost Structure <i>What are the costs to operate the business model?</i>		Revenue Streams <i>How does the company make money from each customer segment?</i>		

Business Models

Other models

Author	Component	Strategy	Resources	Network	Customers	Market offering (value proposition)	Revenues	Service provision	Procurement	Finances	Spectrum of the Components
Hamel (2000)		Core Strategy, Strategic Resources		Value Network	Customer Interface						
Mahadevan (2000)				Logistic Stream		Value Stream	Revenue Stream				
Wirtz (2000)		Combination of production factors for strategy implementation	Core competencies & Core assets		Market & customer segmentation	Service offer & Value proposition	Systematization of revenue forms	Combination & transformation of goods & services	Production factors & Suppliers	Financing & Refinancing	
Hedman/Kalling (2002)		Managerial and organizational, longitudinal process component	Resources		Customers	Competitors, Offering		Activities & Organization	Factor & Production Input Suppliers		
Bouwman (2003)			Technical architecture		Customer Value of Service					Financial arrangements	
Afuah (2004)		Positions	Resources			Industry Factors		Activities		Costs	
Mahadevan (2004)					Target Customers	Value Proposition	Revenue Model	Value Delivery			
Voelpel/Leibold/Tekie (2004)			Leadership capabilities	Value Network (Re)Configuration for the Value Creation		Customer Value Proposition					
Yip (2004)		Scope, Differentiation	Organization		Nature of Customers, Channels	Value Proposition, Nature of Outputs		How to transform inputs (including technology)	Nature of inputs		
Lehmann-Ortega/Schoettl (2005)						Value Proposition, Value Architecture	Revenue Model				
Osterwalder/Pigneur/Tucci (2005)			Core Competency	Partner Network	Target Customer, Distribution Channel, Relationship	Value Proposition	Revenue Model	Value Configuration		Cost Structure	
Tikkanen et al. (2005)		Strategy & Structure		Network				Operations		Finance & Accounting	
Al-Debei/EI-Haddadeh/Avison (2008a)				Value Network		Value Proposition, Value Architecture				Value Finance	
Demil/Lecocq (2010)			Resources & Competences, Organization			Value Proposition	Volume & Structure of Revenue Streams			Volume & Structure of Revenue costs	
Johnson (2010)			Key Resources			Customer Value Proposition	Profit Formula	Key Processes			
Osterwalder/Pigneur (2010)			Key Resources	Key Partners	Customer Relationships, Channels, Customers Segments	Value Proposition	Revenue Streams	Key Activities		Cost Structure	
Intensity of use											

Very low
 Low
 Moderate
 High
 Very high

Wirtz, B. W., Pistoia, A., Ullrich, S. & Götzel, V. (2016). "Business models: origin, development and future research perspectives". Long range planning, 49(1): 36-54.

Business Models

Other models

Author	Component	Strategy	Resources	Network	Customers	Market offering (value proposition)	Revenues	Service provision	Procurement	Finances	Spectrum of the Components
Hamel (2000)		Core Strategy, Strategic Resources		Value Network	Customer Interface						
Mahadevan (2000)				Logistic Stream		Value Stream	Revenue Stream				
Wirtz (2000)		Combination of production factors for strategy implementation	Core competencies & Core assets		Market & customer segmentation	Service offer & Value proposition	Systematization of revenue forms	Combination & transformation of goods & services	Production factors & Suppliers	Financing & Refinancing	
Hedman/Kalling (2002)		Managerial and organizational, longitudinal process component	Resources		Customers	Competitors, Offering		Activities & Organization	Factor & Production Input Suppliers		
Bouwman (2003)			Technical architecture		Customer Value of Service					Financial arrangements	
Afuah (2004)		Positions	Resources			Industry Factors		Activities		Costs	
Mahadevan (2004)					Target Customers	Value Proposition	Revenue Model	Value Delivery			
Voelpel/Leibold/Tekie (2004)			Leadership capabilities	Value Network (Re)Configuration for the Value Creation		Customer Value Proposition					
Yip (2004)		Scope, Differentiation	Organization		Nature of Customers, Channels	Value Proposition, Nature of Outputs		How to transform inputs (including technology)	Nature of inputs		
Lehmann-Ortega/Schoettl (2005)						Value Proposition, Value Architecture	Revenue Model				
Osterwalder/Pigneur/Tucci (2005)			Core Competency	Partner Network	Target Customer, Distribution Channel, Relationship	Value Proposition	Revenue Model	Value Configuration		Cost Structure	
Tikkanen et al. (2005)		Strategy & Structure		Network				Operations		Finance & Accounting	
Al-Debei/EI-Haddadeh/Avison (2008a)				Value Network		Value Proposition, Value Architecture				Value Finance	
Demil/Lecocq (2010)			Resources & Competences, Organization			Value Proposition	Volume & Structure of Revenue Streams			Volume & Structure of Revenue costs	
Johnson (2010)			Key Resources			Customer Value	Profit Formula	Key Processes			
Osterwalder/Pigneur (2010)			Key Resources	Key Partners	Customer Relationships, Channels, Customers Segments	Value Proposition	Revenue Streams	Key Activities		Cost Structure	
Intensity of use											

Wirtz, B. W., Pistoia, A., Ullrich, S. & Götzel, V. (2016). "Business models: origin, development and future research perspectives". Long range planning, 49(1): 36-54.

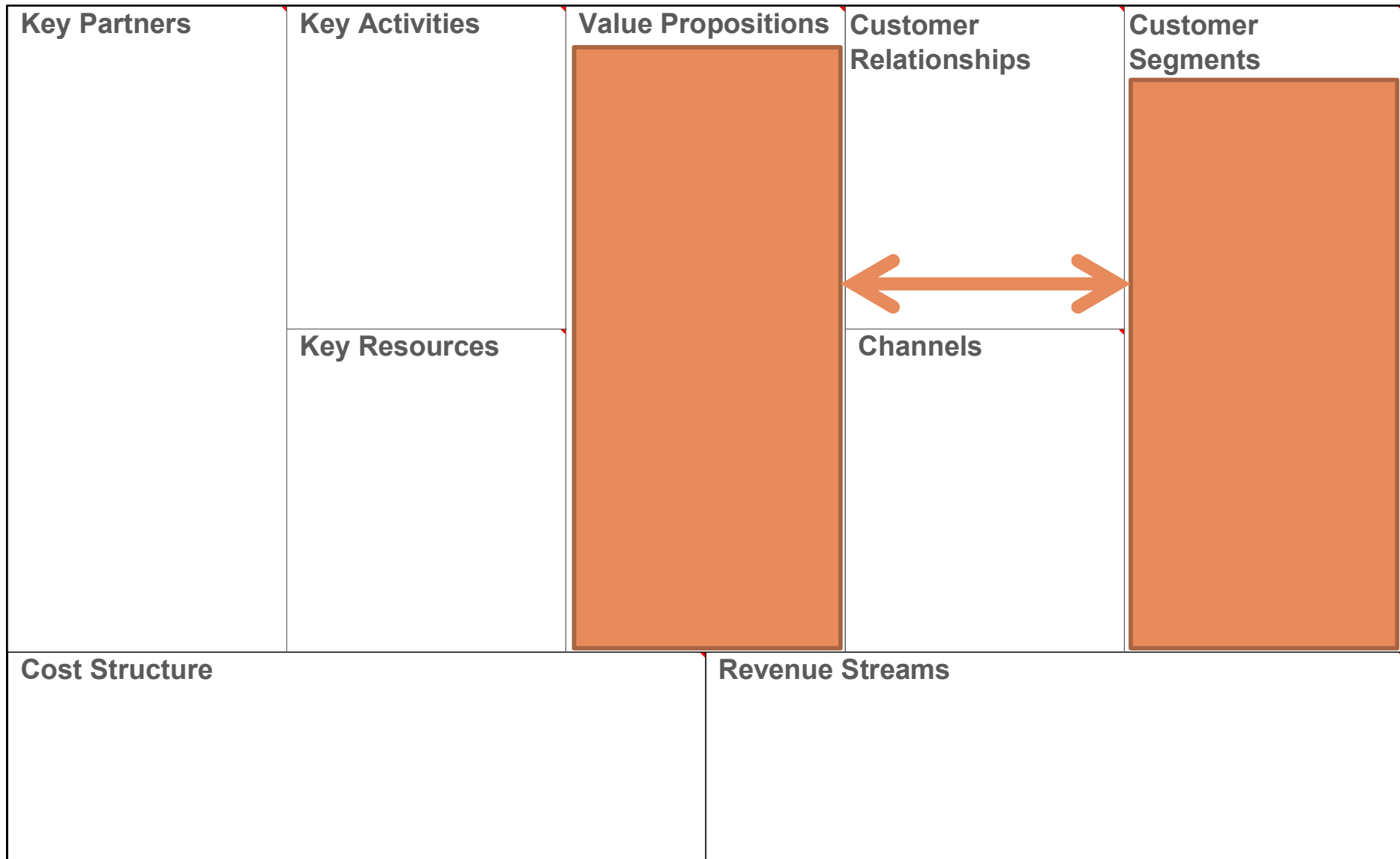
Entrepreneurship

Business Models

Product-Market Fit

Business Models – Product-Market Fit

Business Model Canvas



Business Models – Product-Market Fit

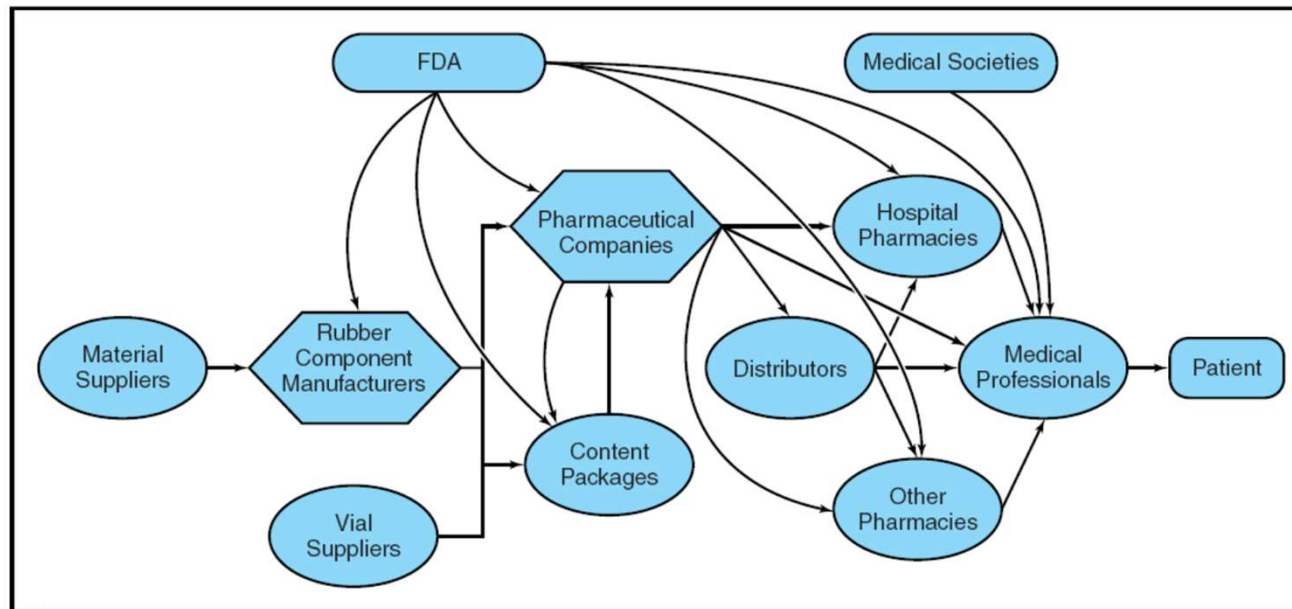
Customer Segments

- **Customer Archetype**
 - Who is the customer?
- **Job-to-be-done**
 - What is the customer problem that you are solving?
- **Customer Workflow**
 - What is the context in which the job arises and your solution is going to be purchased and used?
- **Current solutions**
 - How is the job currently done?
 - What are the pros & cons of each alternative?

Business Models – Product-Market Fit

Customer Segments

- **Customer Archetype**
 - Who is the customer?
 - How does the customer buy?
 - What matters to the customer?
 - Who influences the customer?
 - Influencer / Recommender / Decision Maker / Economic Buyer / Saboteur...



Business Models – Product-Market Fit

Customer Segments

- **Customer Archetype**
 - Who is the customer?
 - How does the customer buy?
 - What matters to the customer?
 - Who influences the customer?
 - Influencer / Recommender / Decision Maker / Economic Buyer / Saboteur...
- Market type

	Existing	Resegmented	New
Customers	Known	Possibly known	Unknown
Needs	Performance	Better fit (niche or low cost)	Transformational improvement
Competitors	Many	Many if wrong, few if right	None
Risks	Lack of ecosystem (branding, sales, distribution)	Market and product redefinition	Education cycle

Business Models – Product-Market Fit

Customer Segments

- **Job-to-be-done**
 - What jobs are getting done?
 - What basic needs are you helping your customer satisfy?
 - What are (not) customer needs?
 - A customer need is a description of the benefits that customers want
 - It is different from a product feature: a description of how that need gets satisfied
 - To succeed at new product introduction, companies need to understand customer needs; many companies have failed because they did not understand their customers' needs
 - What causes customers to buy a solution?
 - Customers have “jobs” that arise regularly and need to get done
 - They look for what they can hire to get the job done **effectively**, **conveniently** and **inexpensively**

Business Models – Product-Market Fit

Customer Segments

- **Customer Workflow**
 - What is the context in which the job arises and your solution is going to be purchased and used?
 - Draw a day in the life of the customer
- **Current solutions**
 - How is the job currently done?
 - What are the pros & cons of each alternative?

Business Models – Product-Market Fit

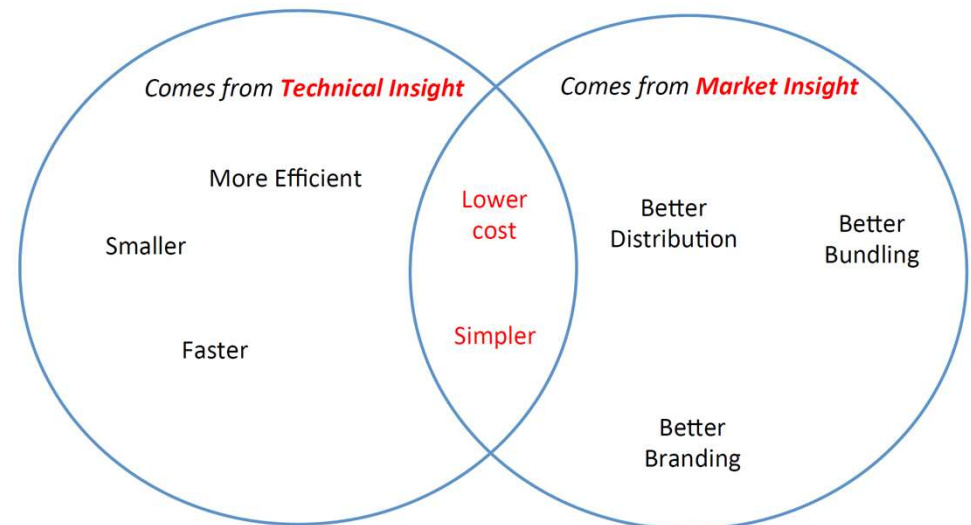
Value Propositions

- **Solution**
 - What are you actually selling?
 - Focus on the customer
- **Unique Features**
 - What advantages set you apart from competition?
 - How protectable are they?
- **Key Benefits**
 - How does the customer benefit from the unique features of the solution?
 - What core and additional services are part of your value proposition?

Business Models – Product-Market Fit

Value Propositions

- **Solution**
 - Minimum Viable Product
 - The minimum set of features needed to learn from early adopters (early evangelists)
 - Solves a core problem for customer
 - “low fidelity” solution to get feedback from customer (later transformed into “high fidelity” solution when understanding about the problema is confirmed)
- **Unique Features / Key benefits**
 - Types of Value Propositions



Business Models – Product-Market Fit

VALUE PROPOSITION	CUSTOMER SEGMENTS
Solution What are you actually selling? <div>Clique para adicionar texto</div>	Customer Archetype Who is the customer? <div>Clique para adicionar texto</div>
Unique Features What advantages set you apart from the competition? How protectable are they? <div>Clique para adicionar texto</div>	Job To Be Done What is the customer problem that you are solving? <div>Clique para adicionar texto</div>
Key Benefits How does the customer benefit from the unique features of the solution? <div>Clique para adicionar texto</div>	Customer Workflow What is the context in which the job arises and your solution is going to be purchased and used? <div>Clique para adicionar texto</div>
Current Solutions How is the job currently done? What are the pros & cons of each alternative? <div>Clique para adicionar texto</div>	

References

- Blank, S., & Dorf, B. (2012). The startup owner's manual. K&S; Ranch.
- Osterwalder, A., & Pigneur, Y. (2010). Business model generation: a handbook for visionaries, game changers, and challengers. John Wiley & Sons.
- Van Mieghem, J. A. (2008), Operations Strategy: Principles and Practice, Dynamic Ideas.
- Zenios et al. (2010), Biodesign – the process of innovating medical technologies, Cambridge University Press, New York.