

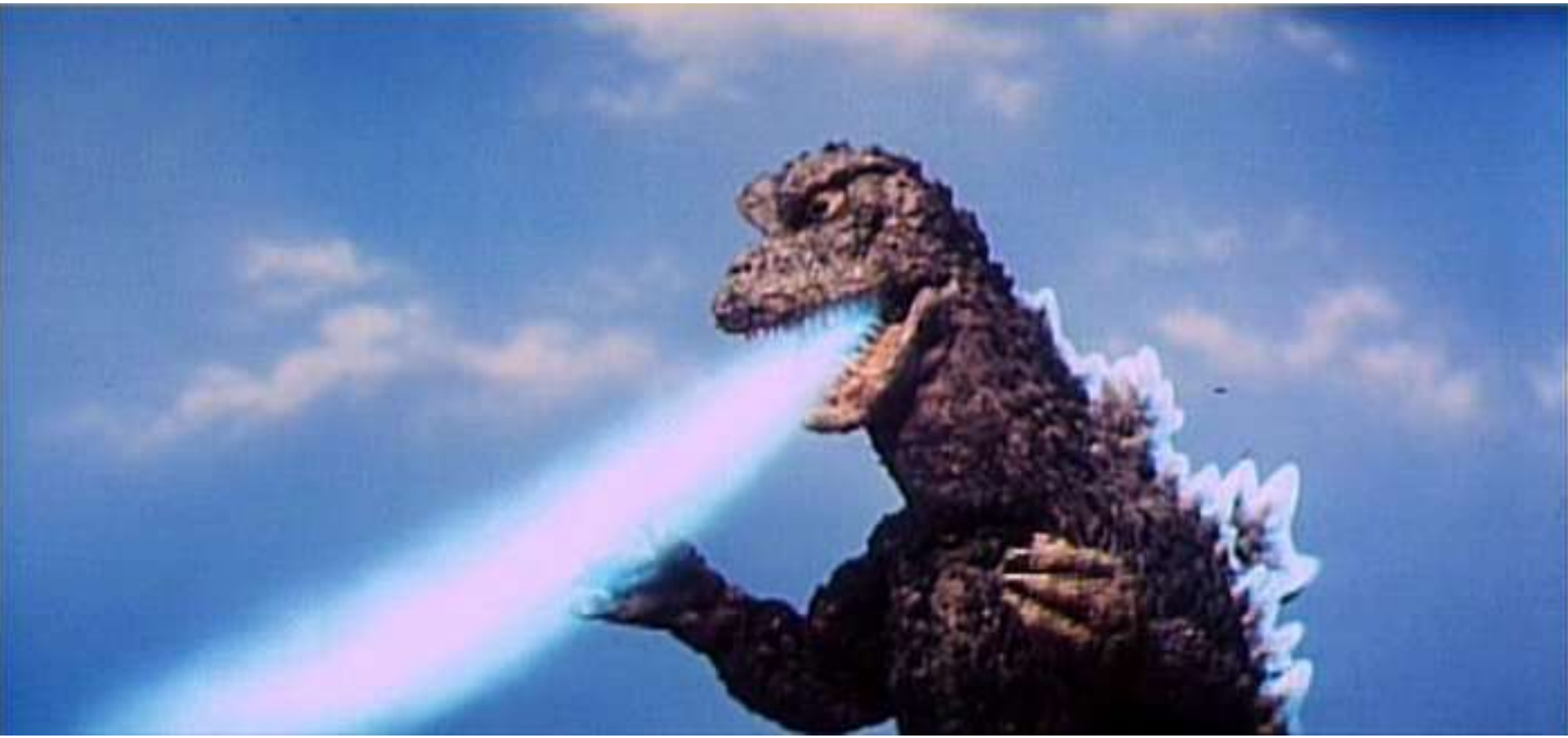


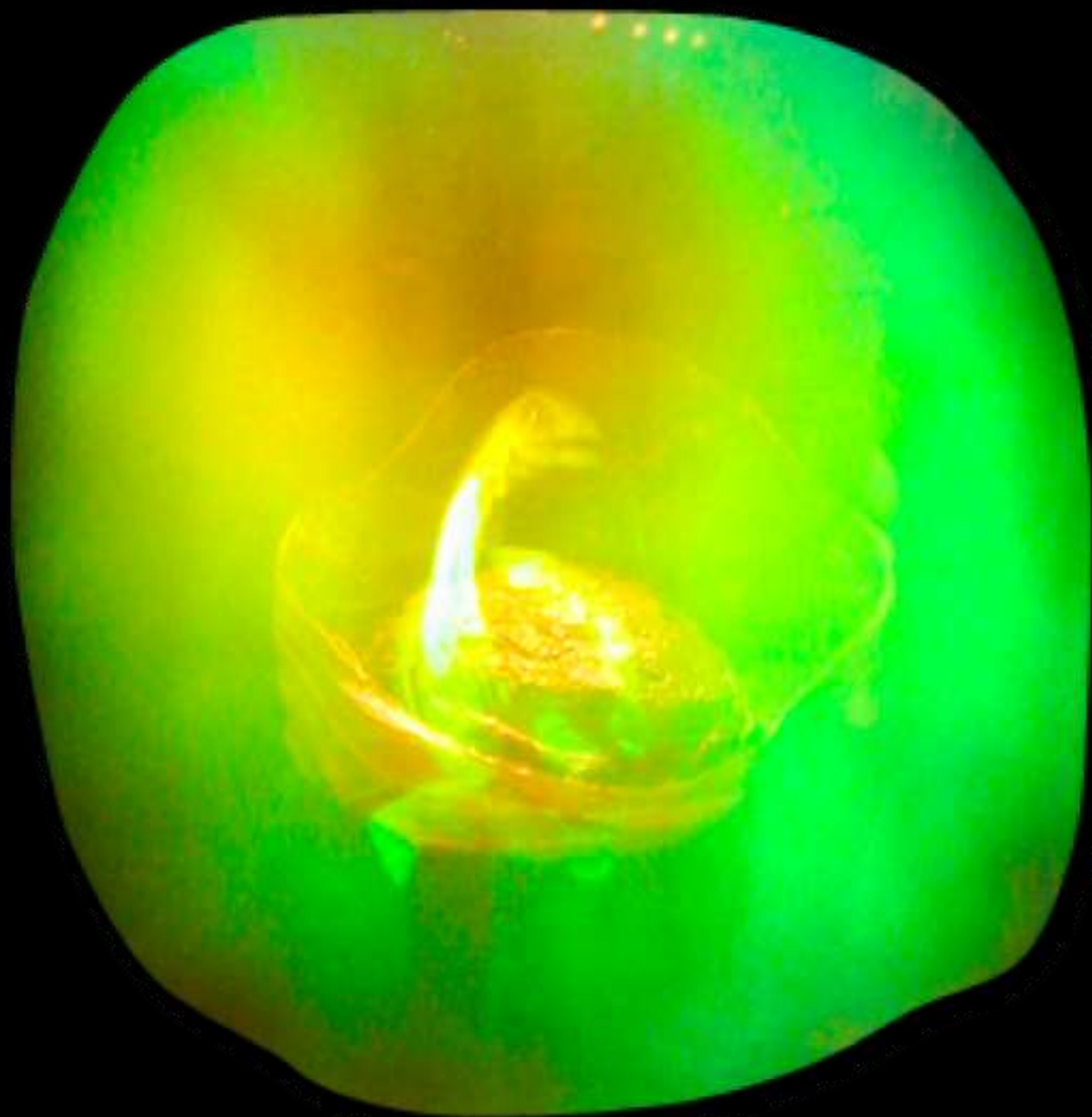
Stanford University's Entrepreneurship Corner

Mike Maples, Jr  
(@m2jr)

Entrepreneurial Thought Leaders  
January 27, 2016

# Thunder Lizards

















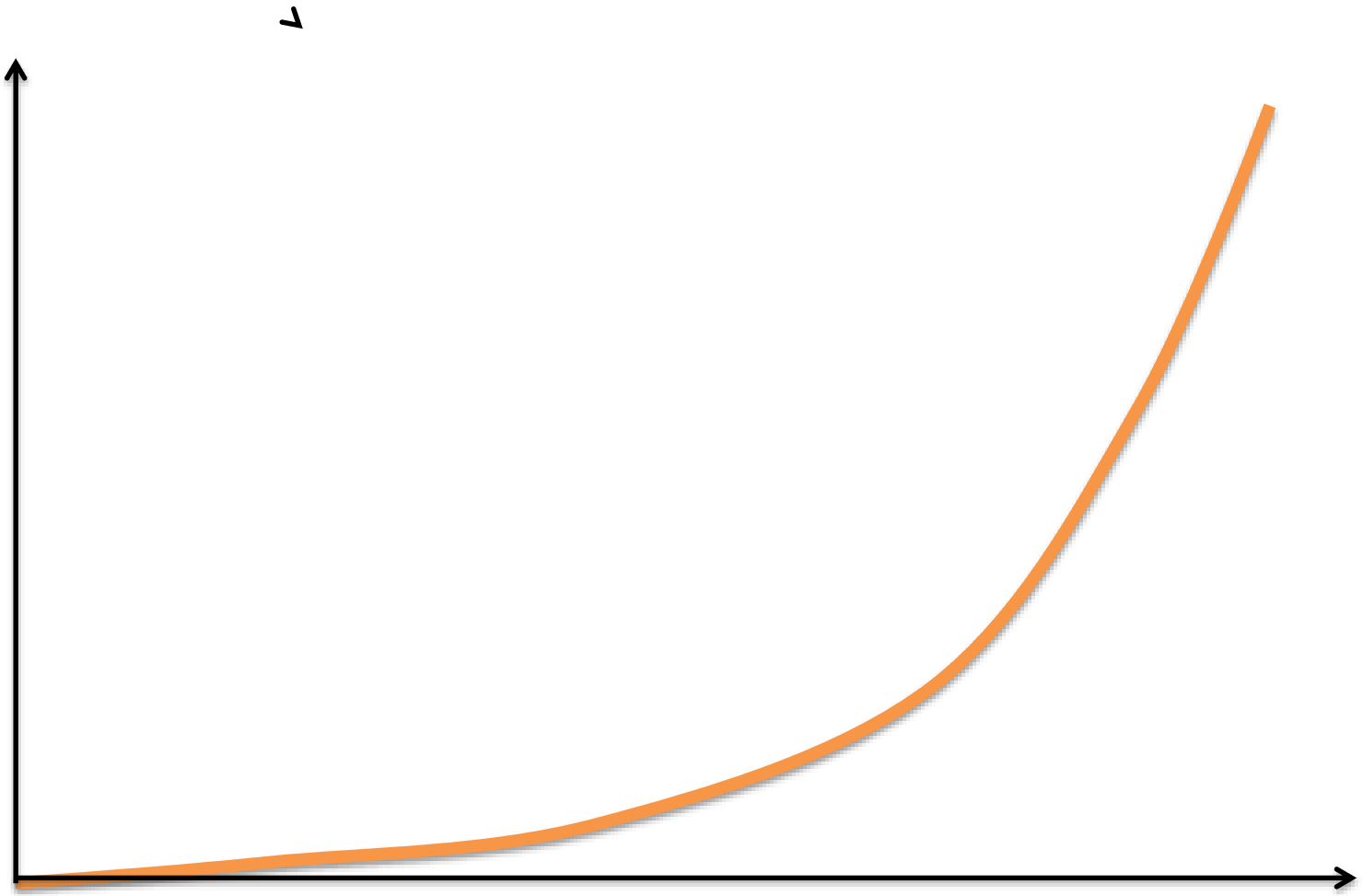




What can we learn from the  
people who have built  
ThunderLizards?

# Key Thought #1: 3 Exponential Laws of Entrepreneurship

# Moore's Law



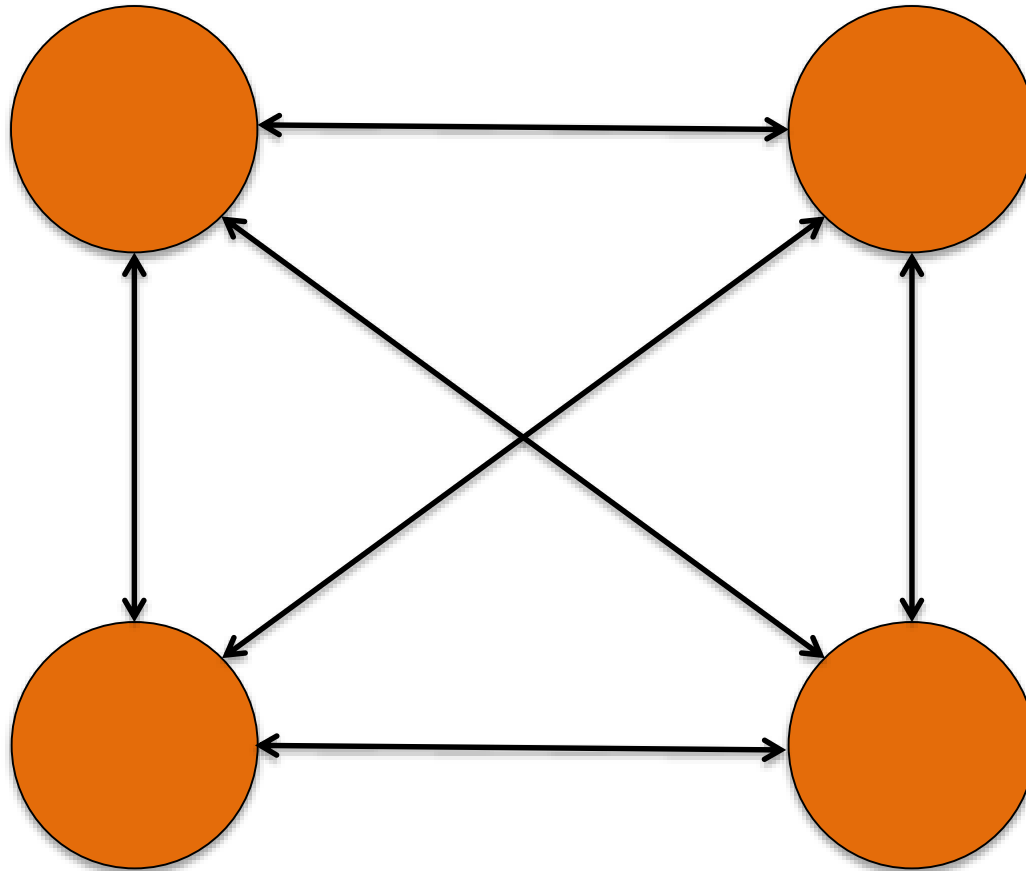


# Moore's Law



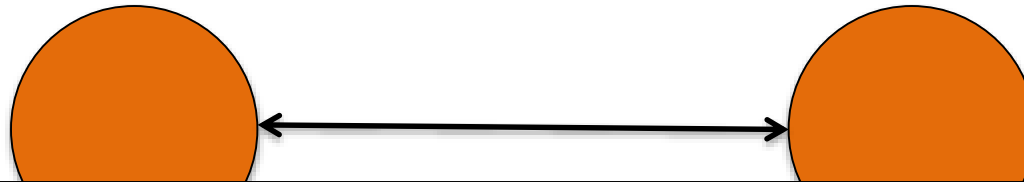
Performance of computing doubles every 18 months at a given price.

# Metcalfe's Law

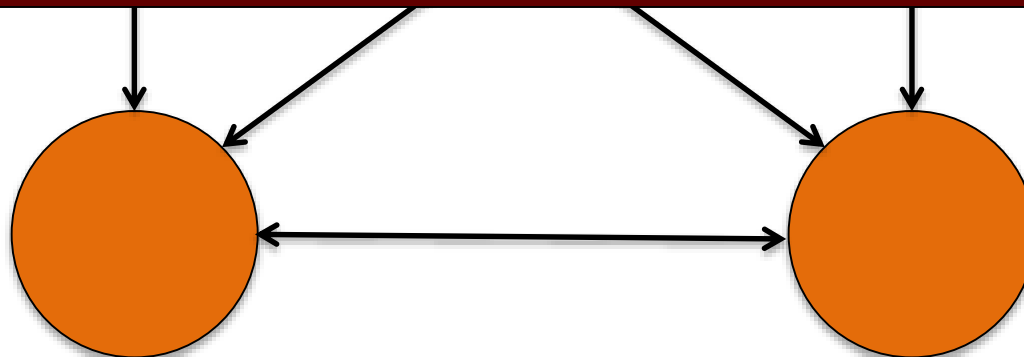


# Metcalfe's Law

↘

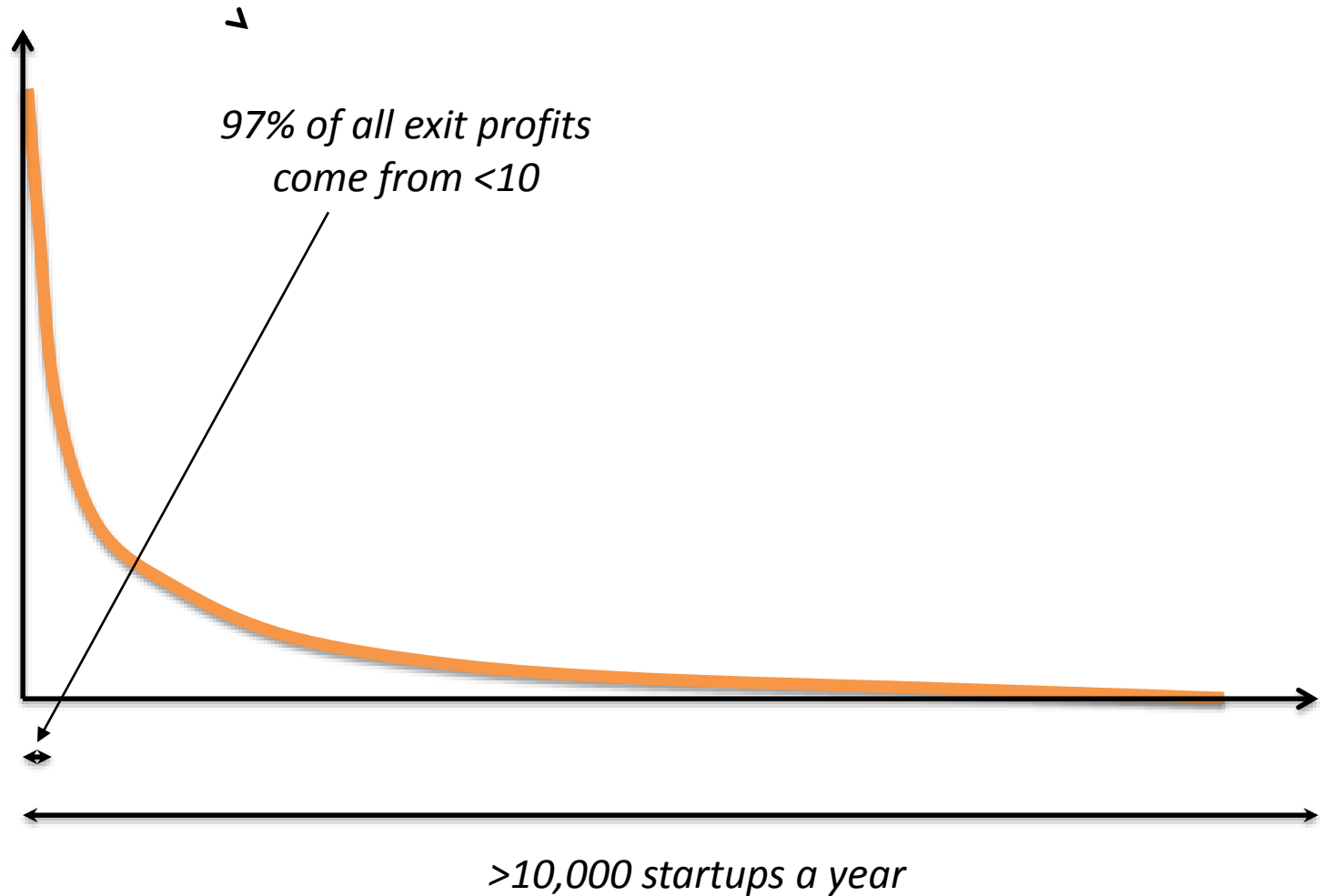


The value of a network is a function of the square of its number of nodes.

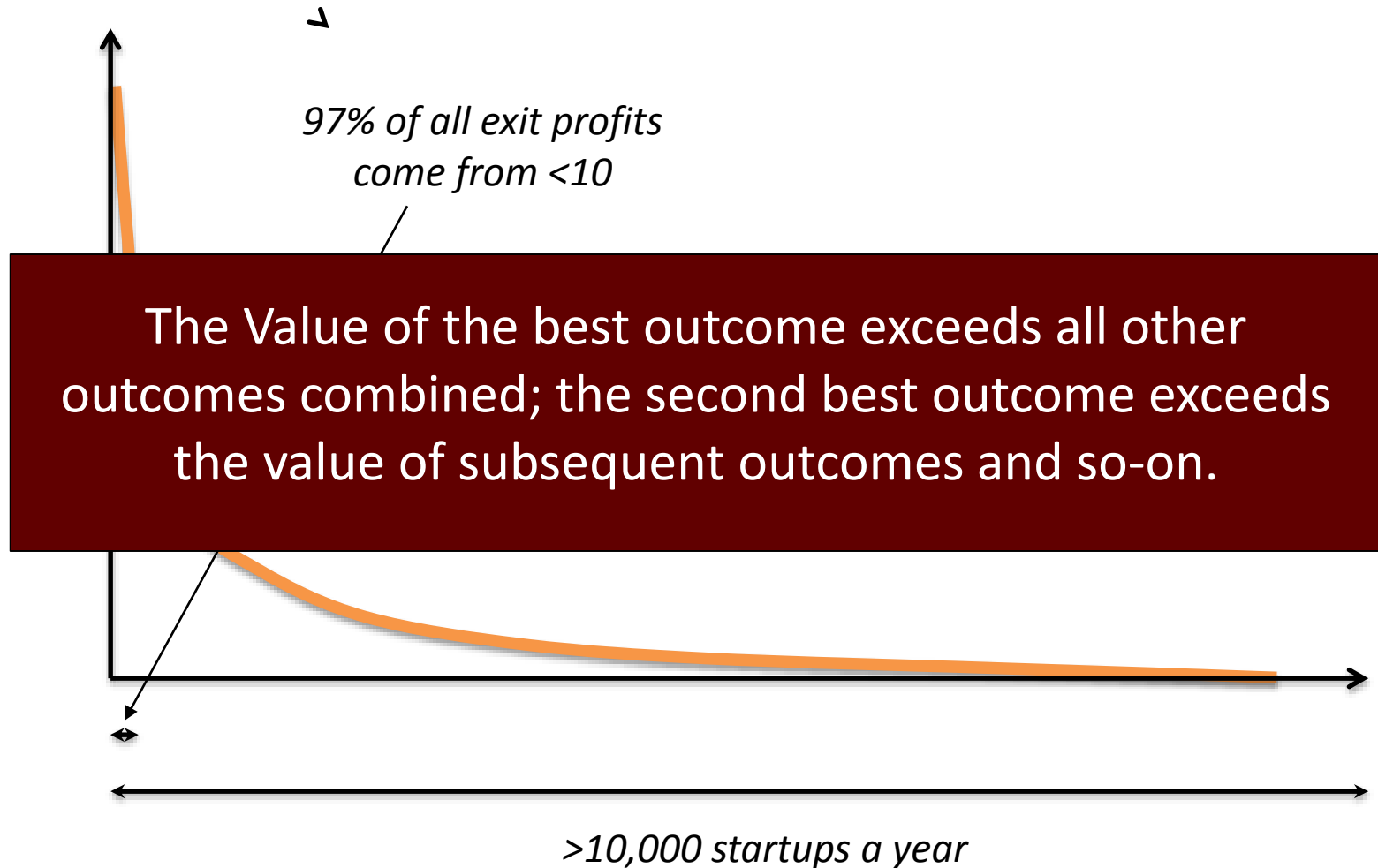




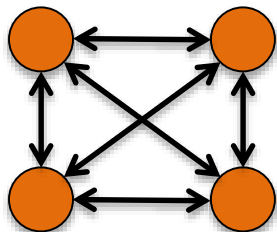
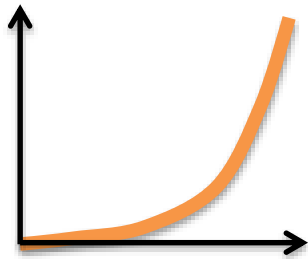
# The Power Law



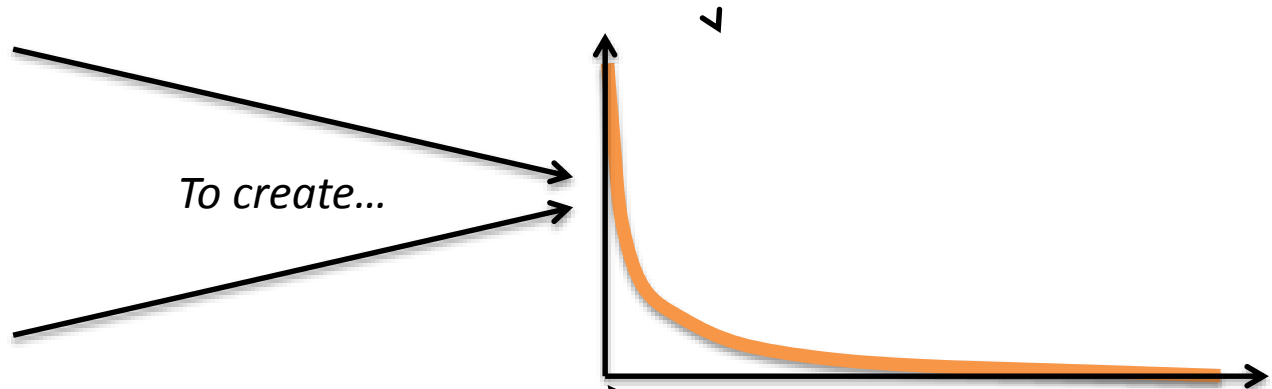
# The Power Law



# The Goal of Tech Entrepreneurship



*Leverage the power of  
Moore's Law and/or  
Metcalfe's Law...*



*An extraordinary  
outcome*

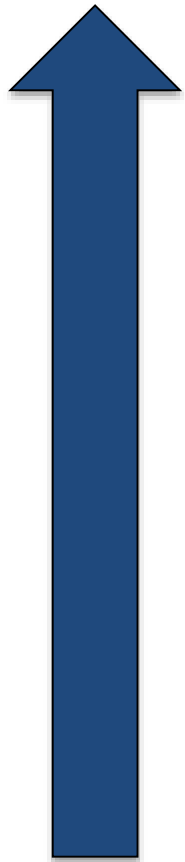


*But How?*

# Key Thought #2: The Value Stack

# The Value Stack

Value creation



Category Power

*...captures the value  
from changing spend*

Company Power

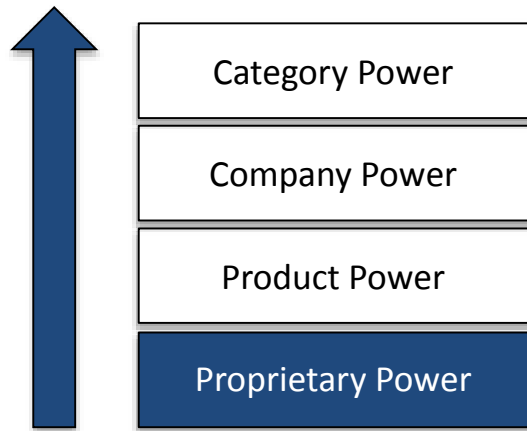
*...prepares for rapid  
scaling*

Product Power

*...achieves product-  
market fit*

Proprietary Power

*...avoids the need to  
compete*



# Proprietary Power

*Avoiding the need to compete*



# Common View of Capitalism

Capitalism is a system of perfect competition.

# The Broader View of Capitalism

“True” capitalism and  
competition are opposites

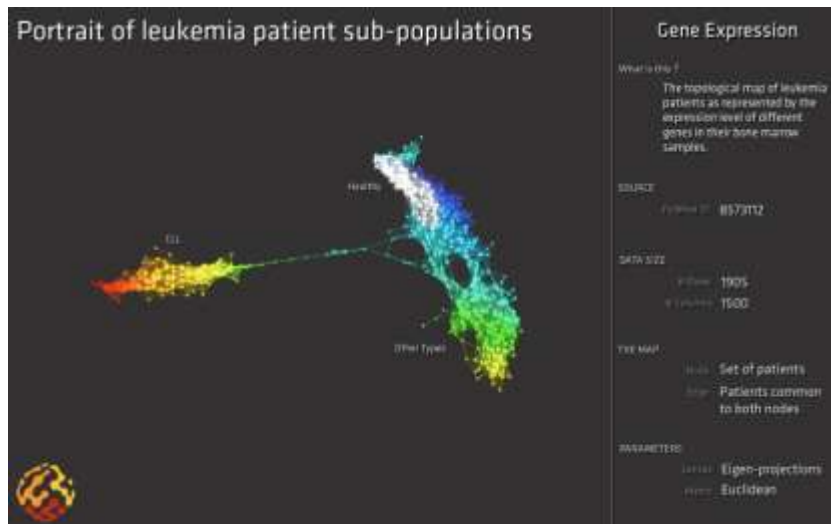
# Fundamental Advantages are Fundamental

- Perfect competition is not perfect
- Mindless competition is pervasive in Silicon Valley
- Can it be a monopoly if it works?
- Is there a structural competitive advantage, not just a first-mover advantage?

# Sources of Proprietary Power



# Technology Advantage (usually harnessing Moore's Law)



AYASDI



# Network Effects

(usually harnessing Metcalfe's Law)

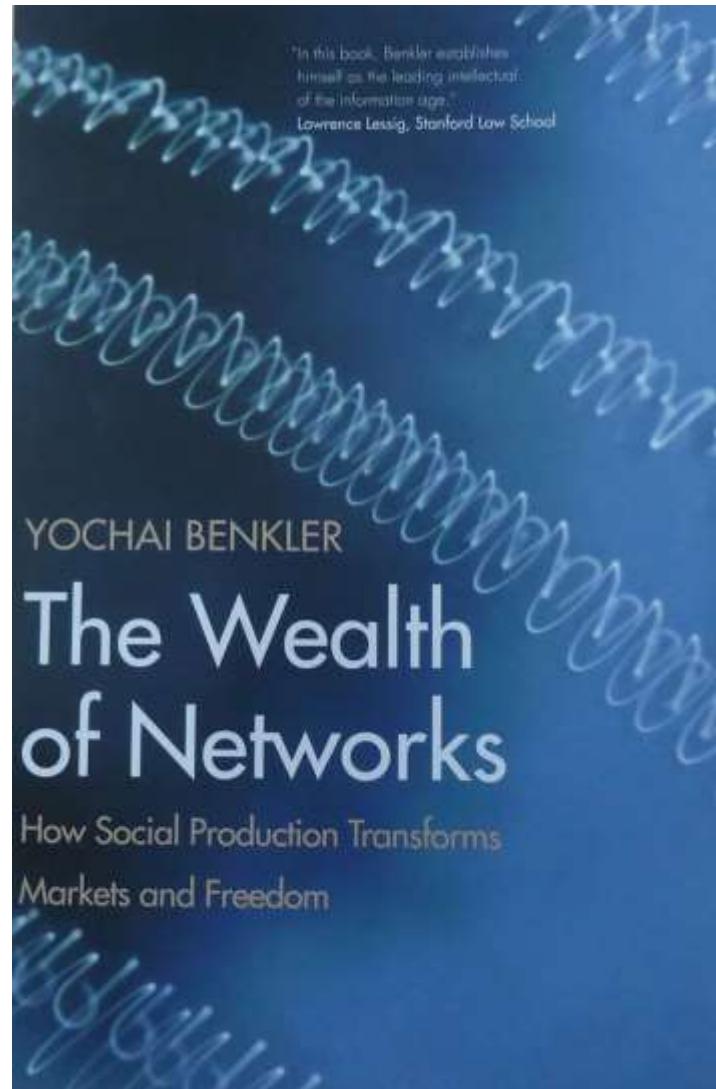


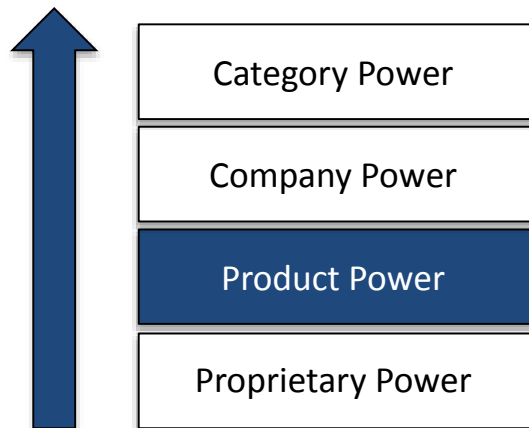
twitter



twitch

# Suggested Reading

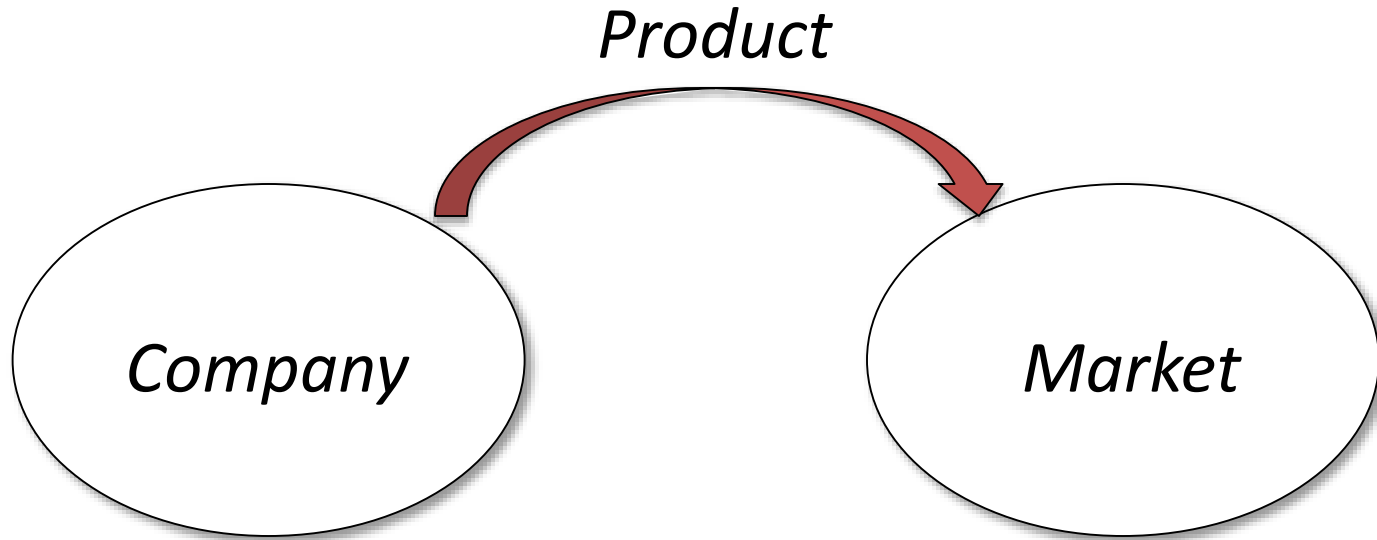




# Product Power

*Achieving Product-Market Fit*

# Common View of Products



- Startup has product idea and builds it
- Startup launches product
- Then gets customers and iterates

# Problems with this view

“In a great market – a market with lots of real potential customers – the market pulls product out of the startup.”

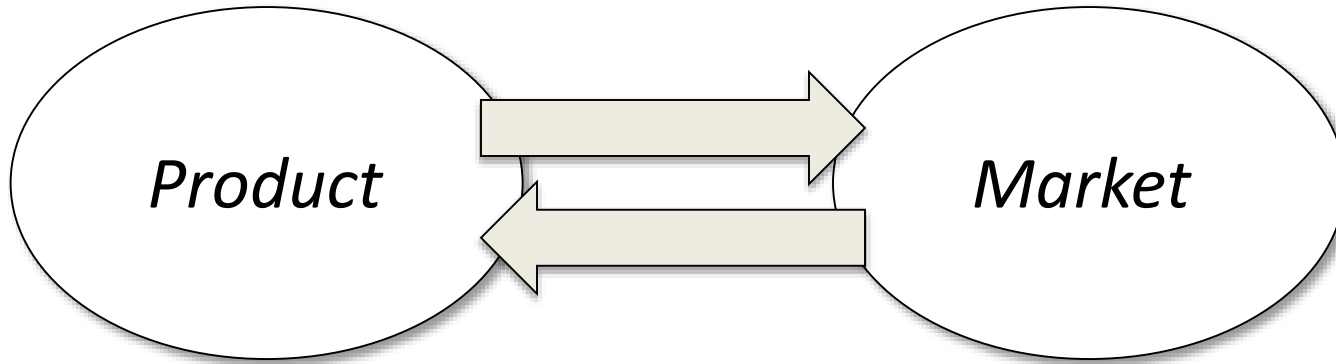
Conversely, in a terrible market, you can have the best product in the world and an absolutely killer team and it doesn't matter – *you're going to fail.*”

“The #1 company-killer is lack of market.”

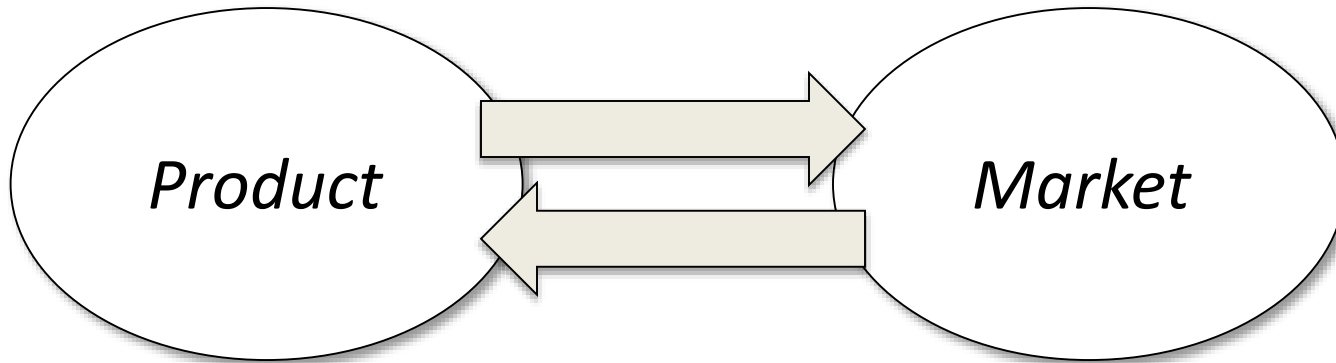
Marc Andreessen



# Product/Market Fit



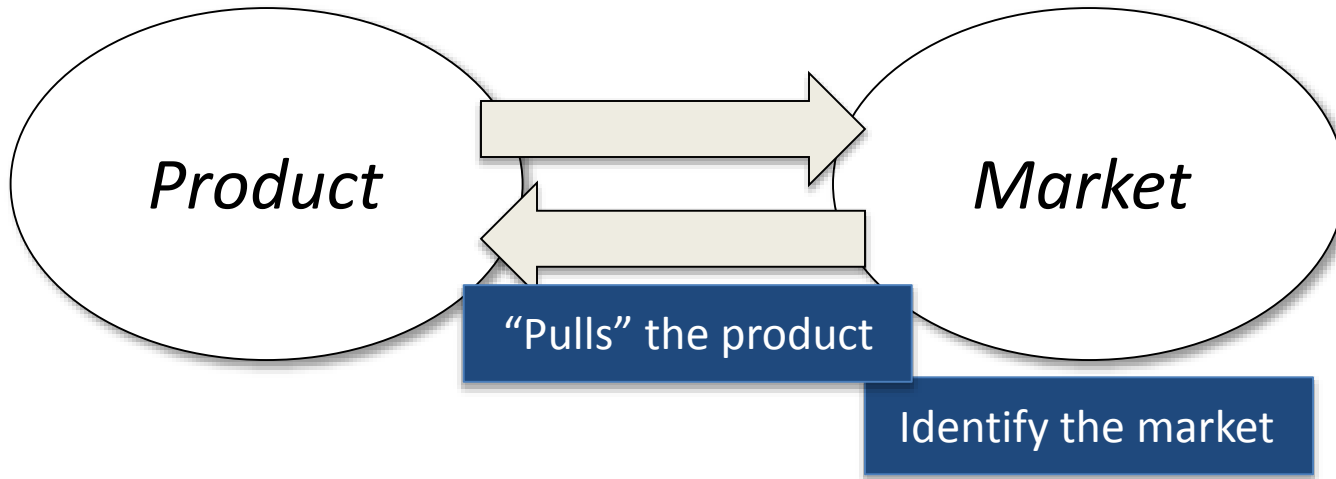
# Product/Market Fit



Identify the market

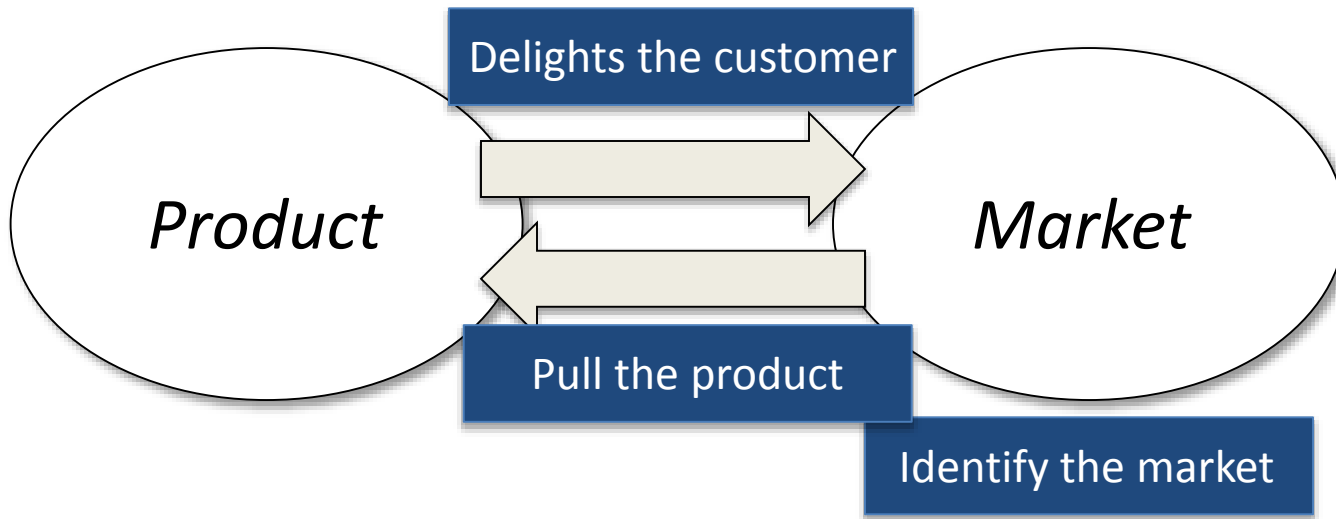
- Large
- Strong customer desire
- Right timing

# Product/Market Fit



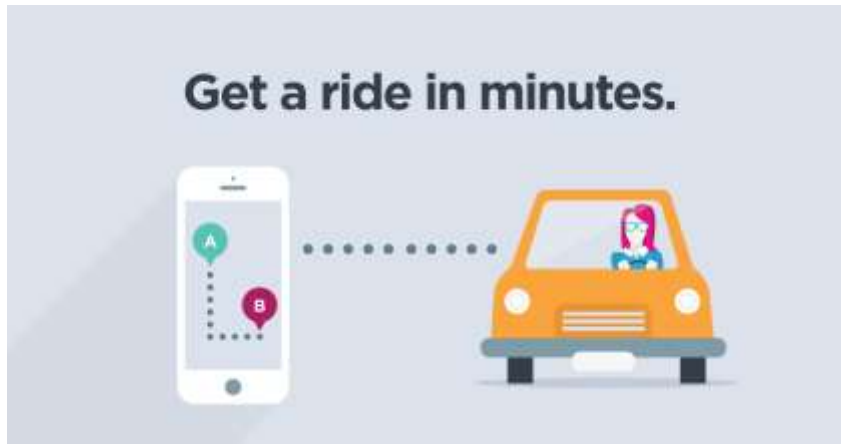
- Large
- Strong customer desire
- Right timing

# Product/Market Fit



- Large
- Strong customer desire
- Right timing

# Delighting the customer requires a “WTF” Experience



Lyft and Uber



Tesla Autopilot

# Suggested Reading

## THE PMARCA GUIDE TO STARTUPS

### Part 4: The only thing that matters

Jun 26, 2007

This post is all about the only thing that matters for a new startup.

But first, some theory:

If you look at a broad cross-section of startups -- say, 30 or 40 or more; enough to screen out the pure flukes and look for patterns -- two obvious facts will jump out at you.

First obvious fact: there is an incredibly wide divergence of success -- some of those startups are insanely successful, some highly successful, many somewhat successful, and quite a few of course outright fail.

Second obvious fact: there is an incredibly wide divergence of caliber and quality for the three core elements of each startup -- *team*, *product*, and *market*.

At any given startup, the team will range from outstanding to remarkably flawed; the product will range from a masterpiece of engineering to barely functional; and the market will range from booming to comatose.

And so you start to wonder -- what correlates the most to success -- *team*, *product*, or *market*? Or, more bluntly, **what causes success?** And, for those of us who are students of startup failure -- **what's most dangerous: a bad team, a weak product, or a poor market?**

## The Four Steps to the Epiphany

*Successful Strategies for Products that Win*



Steve Blank

Foreword by Clayton M. Christensen

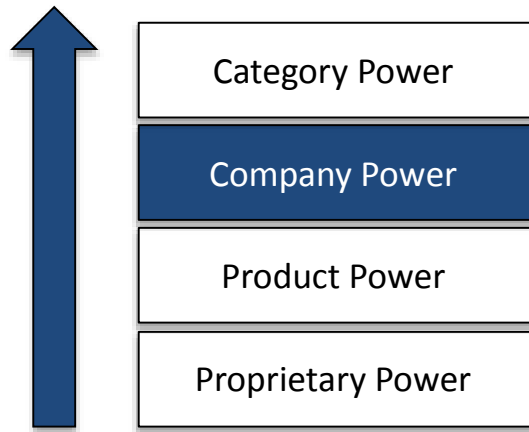
## The INNOVATOR'S GUIDE TO GROWTH

*Putting Disruptive Innovation to Work*

Scott D. Anthony | Mark W. Johnson  
Joseph V. Sinfield | Elizabeth J. Altman

HARVARD BUSINESS PRESS





# Company Power

*Preparing for rapid  
scaling*

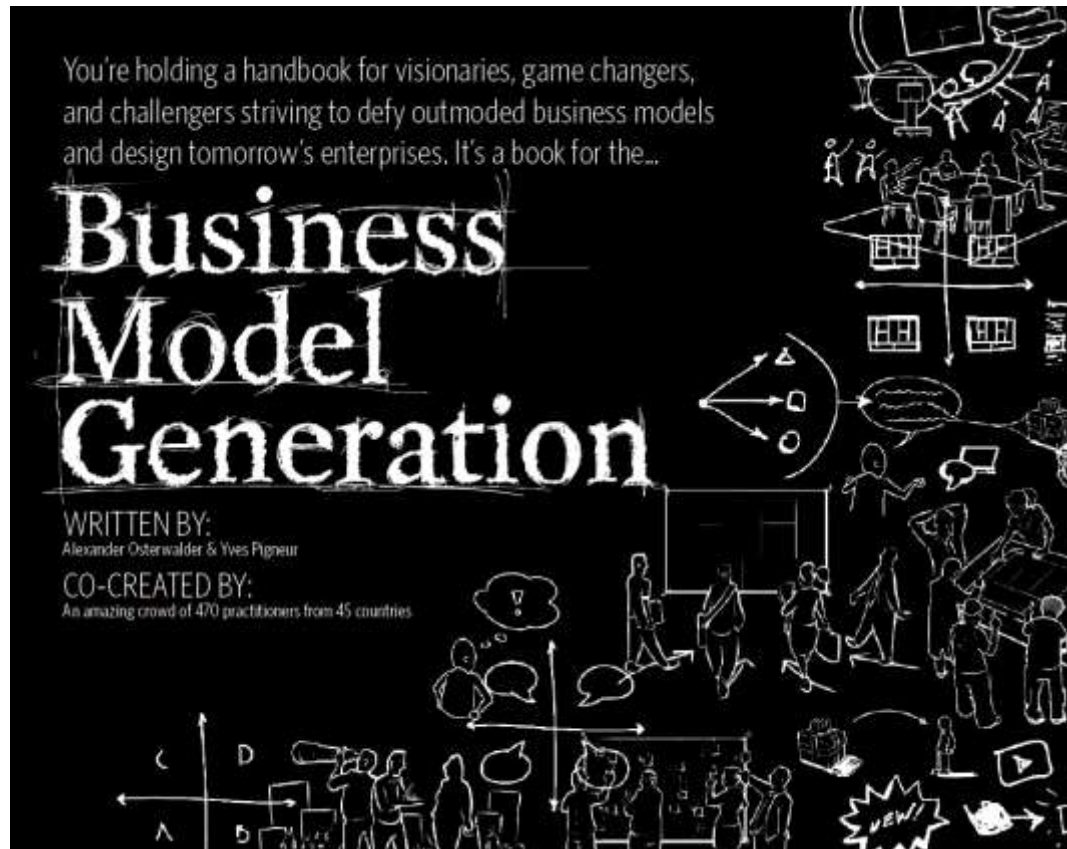
# Sources of Company Power

- Scalable Business Model
  - Converts innovation to value
- Scalable Management Systems
  - Avoids technical and management debt

# Scalable Business Model

- Always possible when Proprietary Power and Product Power are present
- Increasing margins and pricing power are “proof” that the first two layers are strong

# Suggested Reading



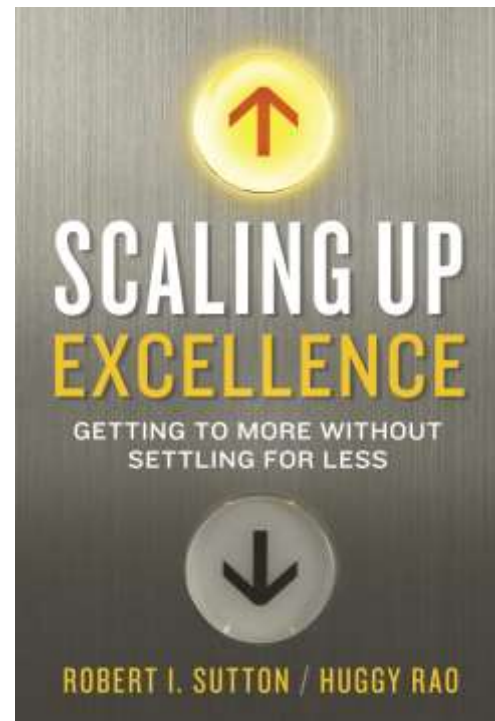
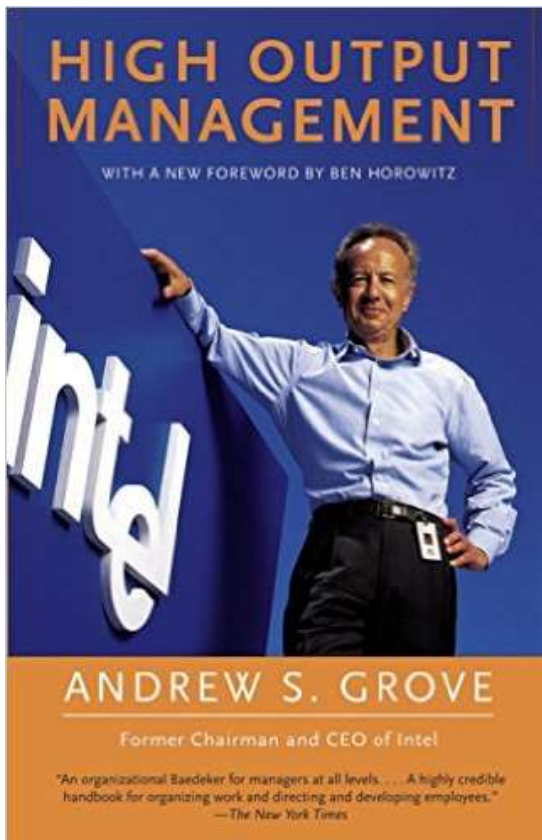
Business Model Canvas


By Alexander Osterwalder

# Scalable Management Systems

- Culture: Define it or let it happen?
- Basic Management Systems:
  - 1:1s, Board Meetings, Team Meetings, Forecasting Frameworks
- Compensation Strategy
  - Particularly important for recruiting and retention
- Hot Teams

# Suggested Reading




 **Chris McCain**  
Sep 15, 2014 · 8 min read

### Class 1 Notes Essay — Reid Hoffman, John Lilly, Chris Yeh, and Allen Blue's CS183C Technology-enabled Blitzscaling course

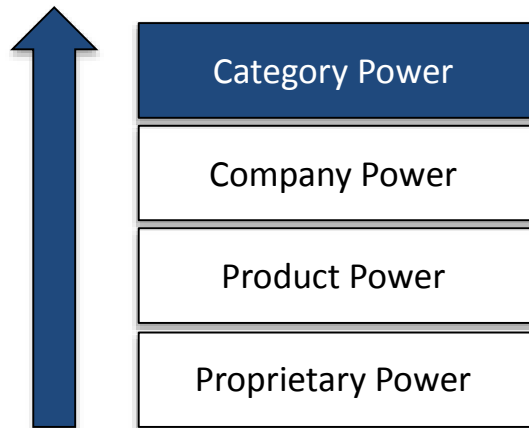
Here is an essay version of my class notes from Class 1 of Stanford University's CS183C—Technology-enabled Blitzscaling—taught by Reid Hoffman, John Lilly, Chris Yeh, and Allen Blue. Errors and omissions are my own. Credit for good stuff is Reid, John, Chris Yeh, and Allen's entirely.

I also took inspiration of turning my notes into an essay from Blake Masters who wrote these fantastic essays about Peter Thiel's CS183 class.

The video of the class, has just been published. (My notes are below)



The slides of the class, have just been published. (My notes are below)



# Category Power

*Capturing the value  
from changing spend*

# Category Kings...

- Category Kings don't just make something to sell to people
- Category Kings introduce the world to a new category of product or service.
- Category Kings replace our current point of view with a new point of view.
- And ultimately, they change how people and businesses decide to spend their money.



# Examples



Category Kings usually capture  
70-80% of the profit pool.

# Suggested Reading



POSITIONING

CATEGORY DESIGN

RESEARCH

SERVICES

MEDIA

ABOUT

## CATEGORY DESIGN

THE COMPANY THAT DESIGNS THE CATEGORY IS  
BEST POSITIONED TO DOMINATE IT

The most exciting companies create. They give us new ways of living, thinking or doing business, many times solving a problem we didn't know we had – or a problem we didn't pay attention to because we never thought there was another way.

Think Facebook, Google, Salesforce.com, Uber, VMware, Netflix, MTV, 5-hour Energy, Ultimate Fighting Championship and Pixar.

What do these companies have in common?

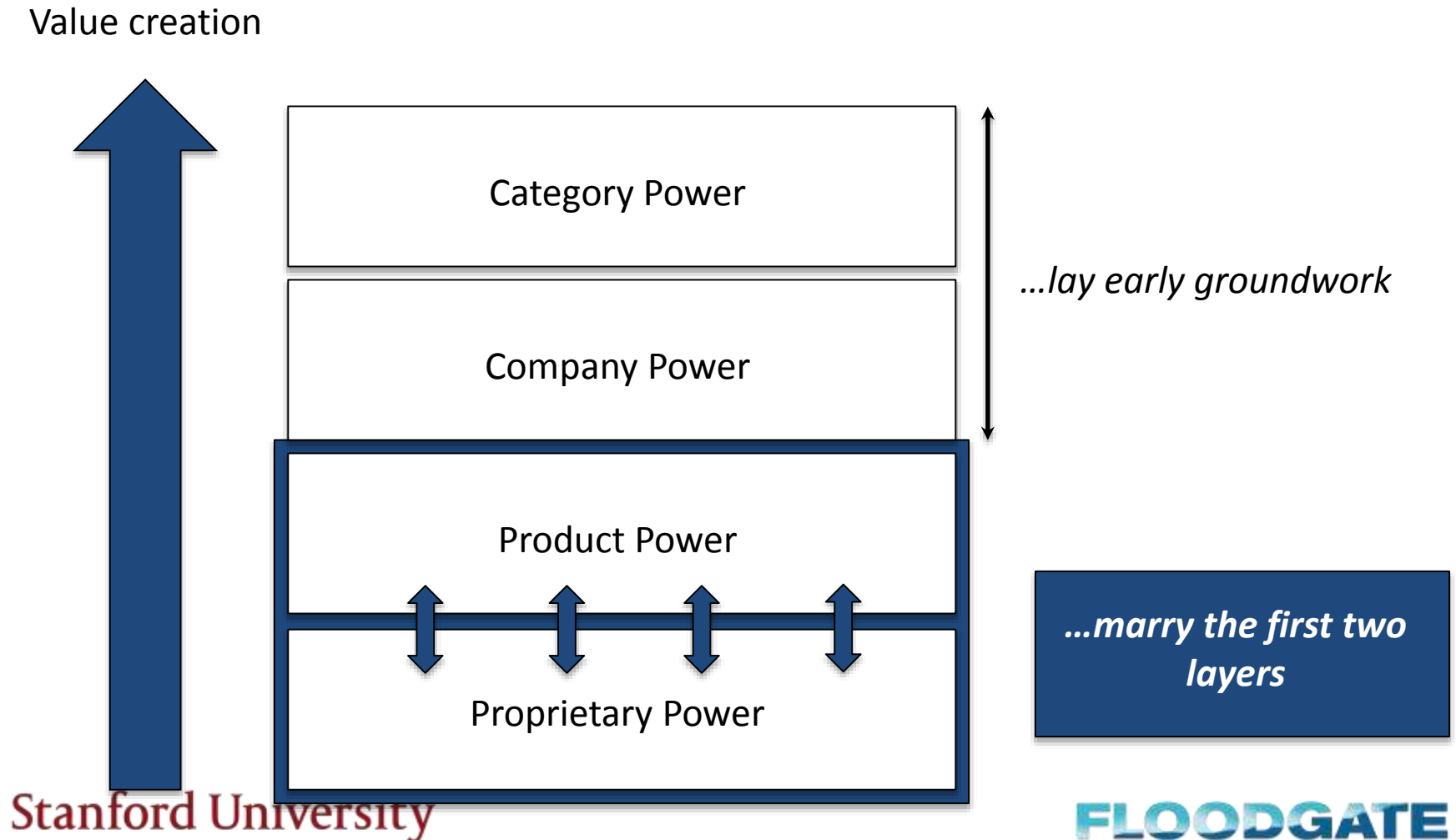
These companies don't only invent something to sell us. They are not making products or services that just incrementally improve on whatever came before. They don't sell us "better". The most exciting companies market "different".

They introduce the world to a new category of product or service.

[www.playbigger.com](http://www.playbigger.com)

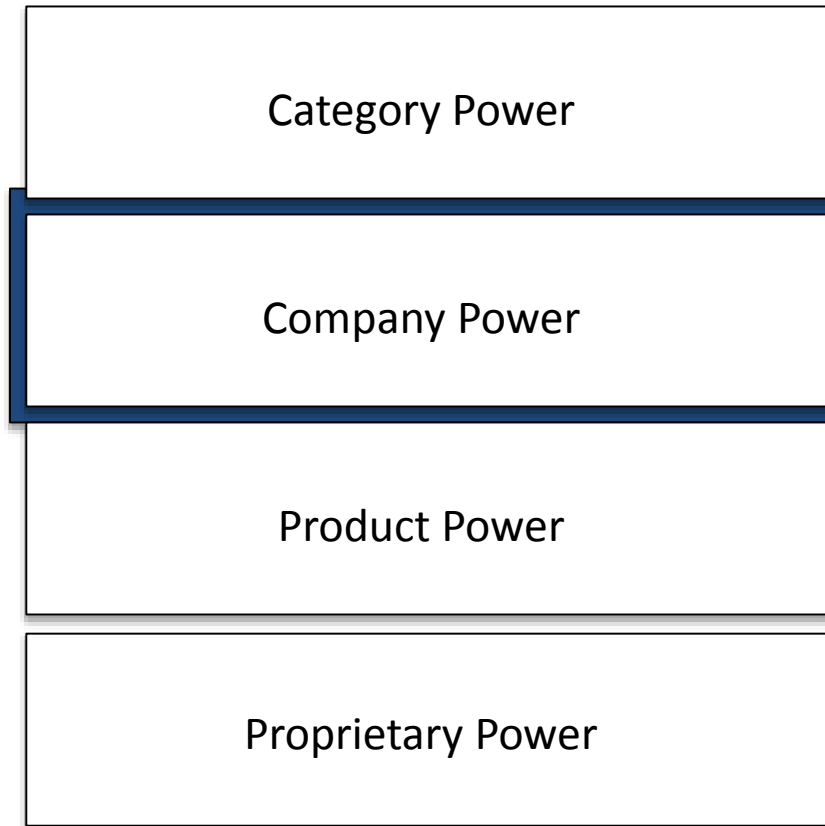
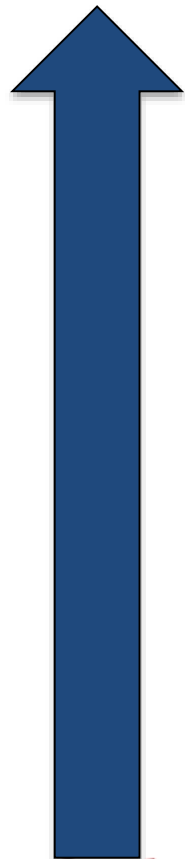
# Funding your value stack

# The Goal of Seed Rounds



# The Goal of “Execution” Rounds

Value creation



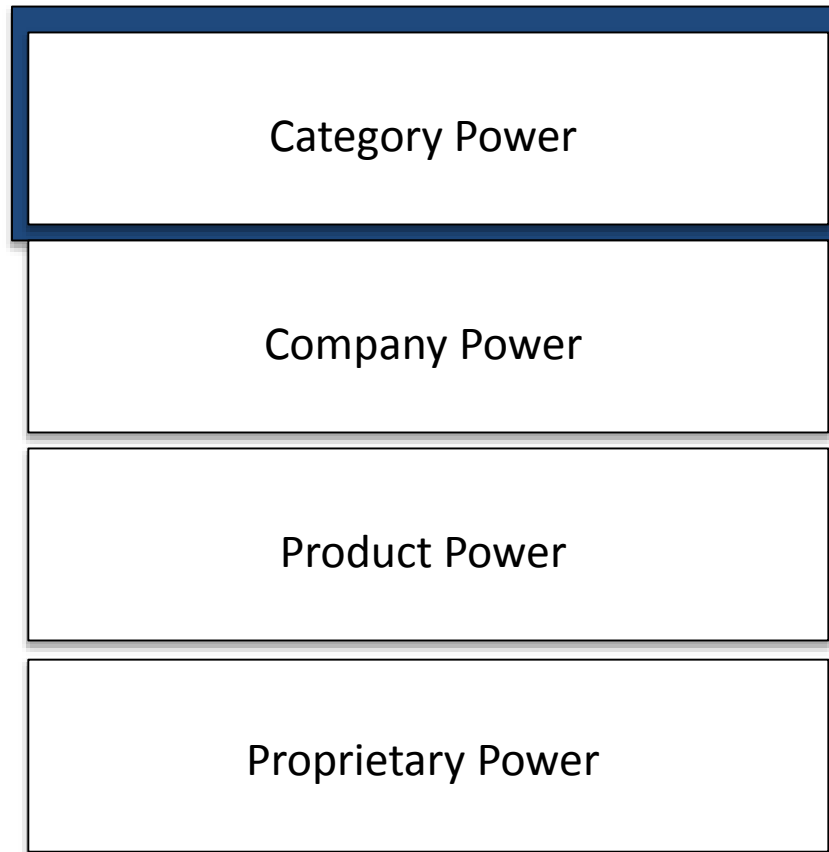
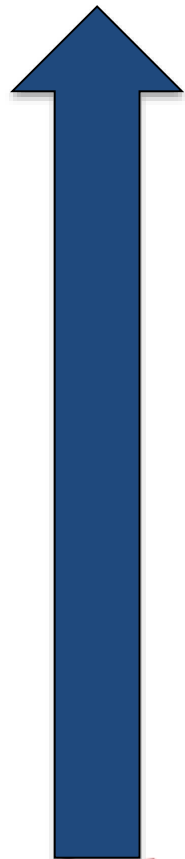
*...category design*

***...create the flywheel  
for blitz-scaling***

*...invest to tighten  
fundamental  
advantages*

# The Goal of “Late Stage” Rounds

Value creation



*...capture the profit pool  
from emerging category*

*...relentless refinement*

# Final Thought



*Never* let go of being  
exceptional



Stanford University's Entrepreneurship Corner

# THANKS!