



# Beyond Lean Startups

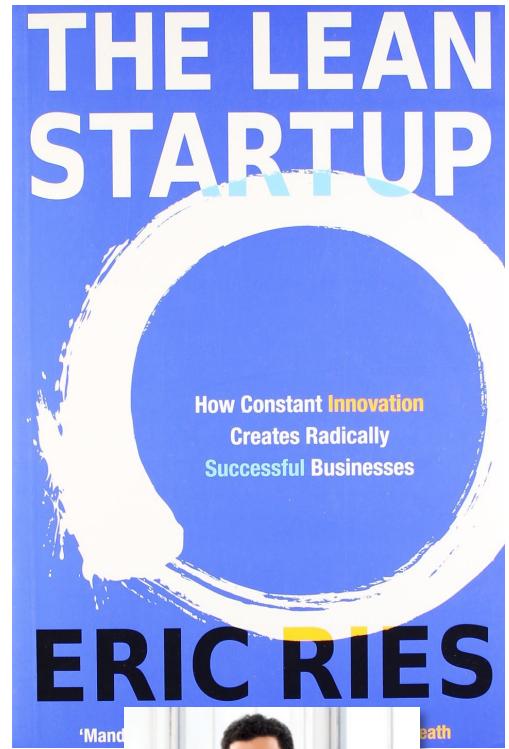
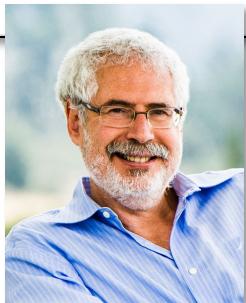
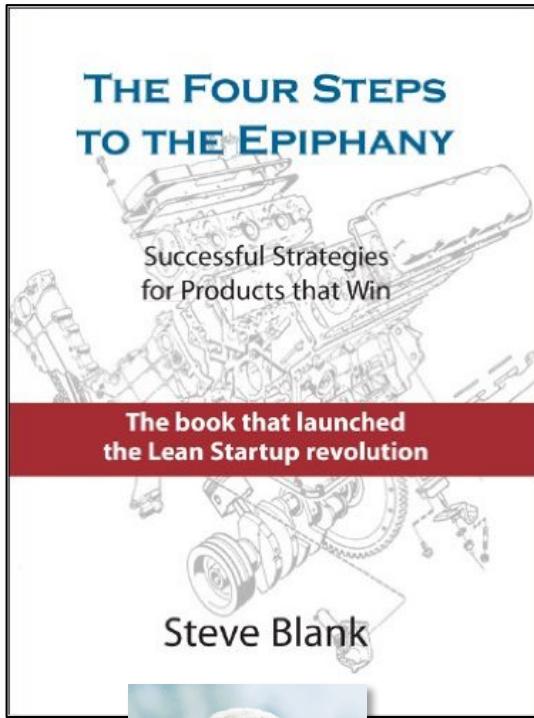
Mike Maples, Jr  
@m2jr; [www.floodgate.com](http://www.floodgate.com); 6-21-16

FLOODGATE

# Ten Years Ago...

The Lean Startup Revolution.

# 2 Books Captured the Zeitgeist



# The Result: An Explosion of Entrepreneurship

- Influenced tens of thousands of founders
- “Minimum viable product,” “Customer development,” and “Product/Market Fit” became mainstream vernacular
- The number of startups exploded
- The ability of founders to iterate intelligently accelerated
- Capital innovation followed the founders (Micro-funds like Floodgate and FirstRound, Accelerators like YC and 500 Startups)
- Entrepreneurship became more Democratized

# Fast-Forward to 2016

- The downside of low barriers to entry is...*low barriers to entry*
- Too many startups
- Customers, potential employees, investors, and others struggle to make sense of the noise
- Racing to product/market fit still matters, but it is no longer enough.

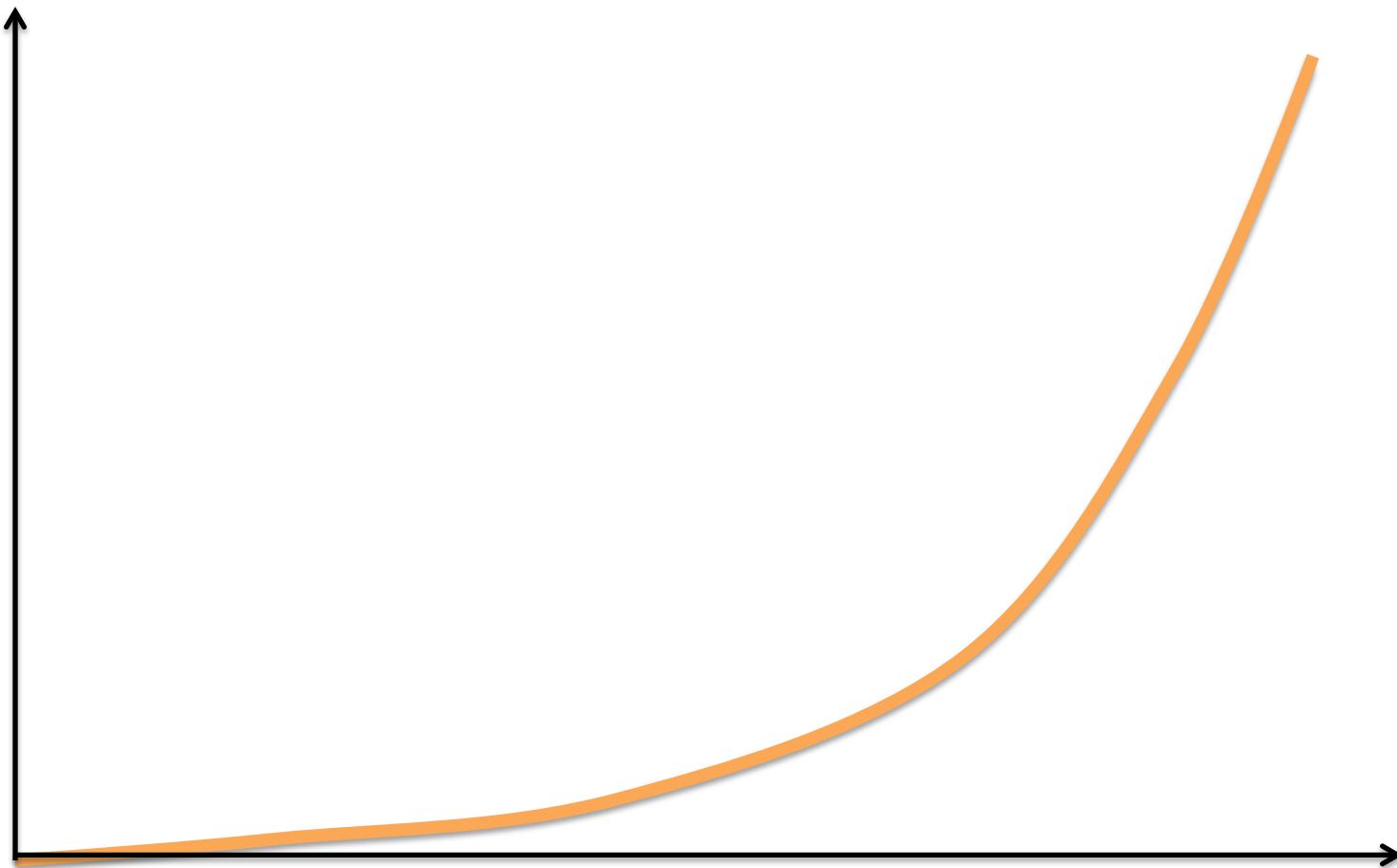
# Startups need to Play Bigger

Company Design and Category Design...Not just Product Design.

# Key Thought #1:

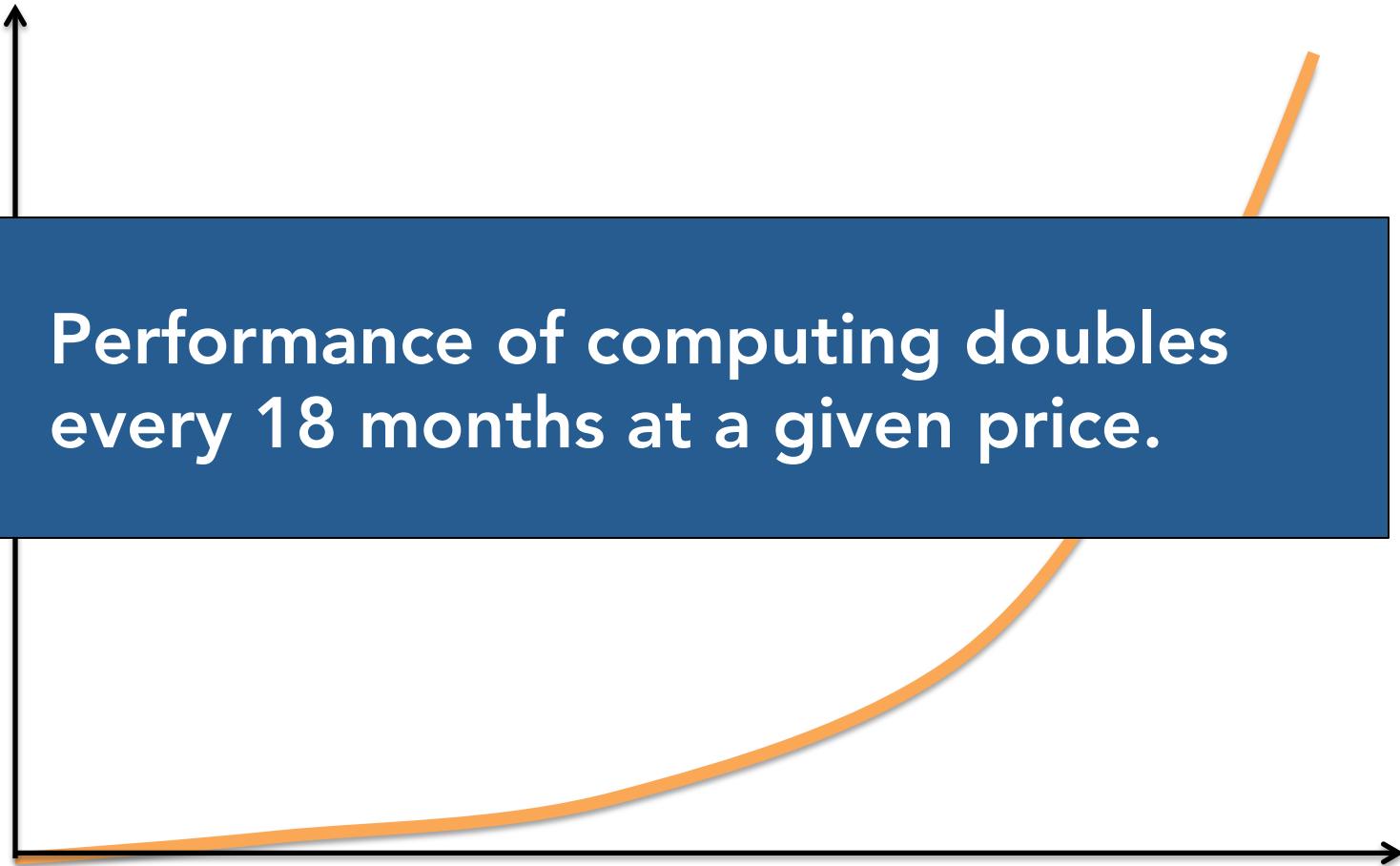
## 3 Exponential Laws of Entrepreneurship

# Moore's Law

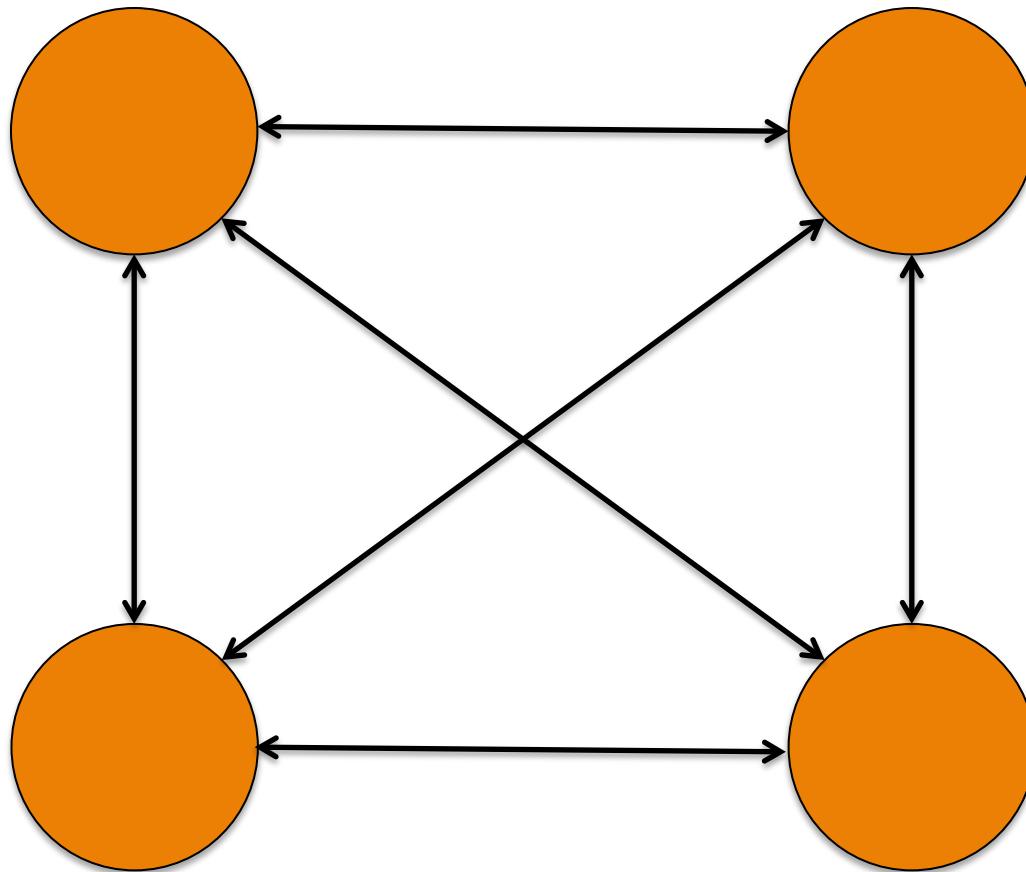


# Moore's Law

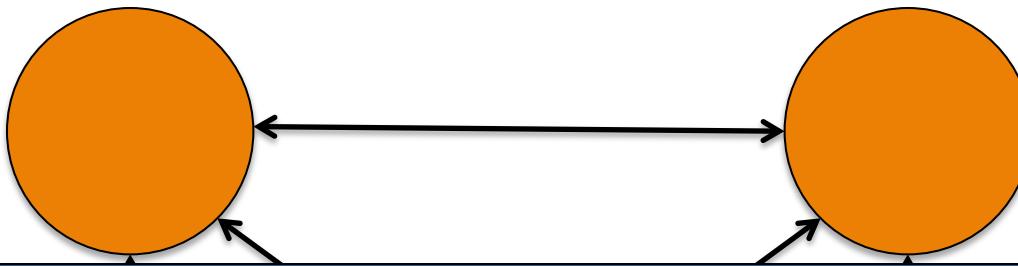
Performance of computing doubles every 18 months at a given price.



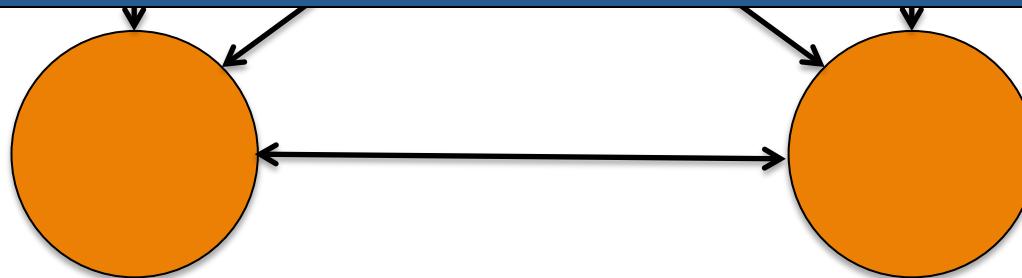
# Metcalf's Law



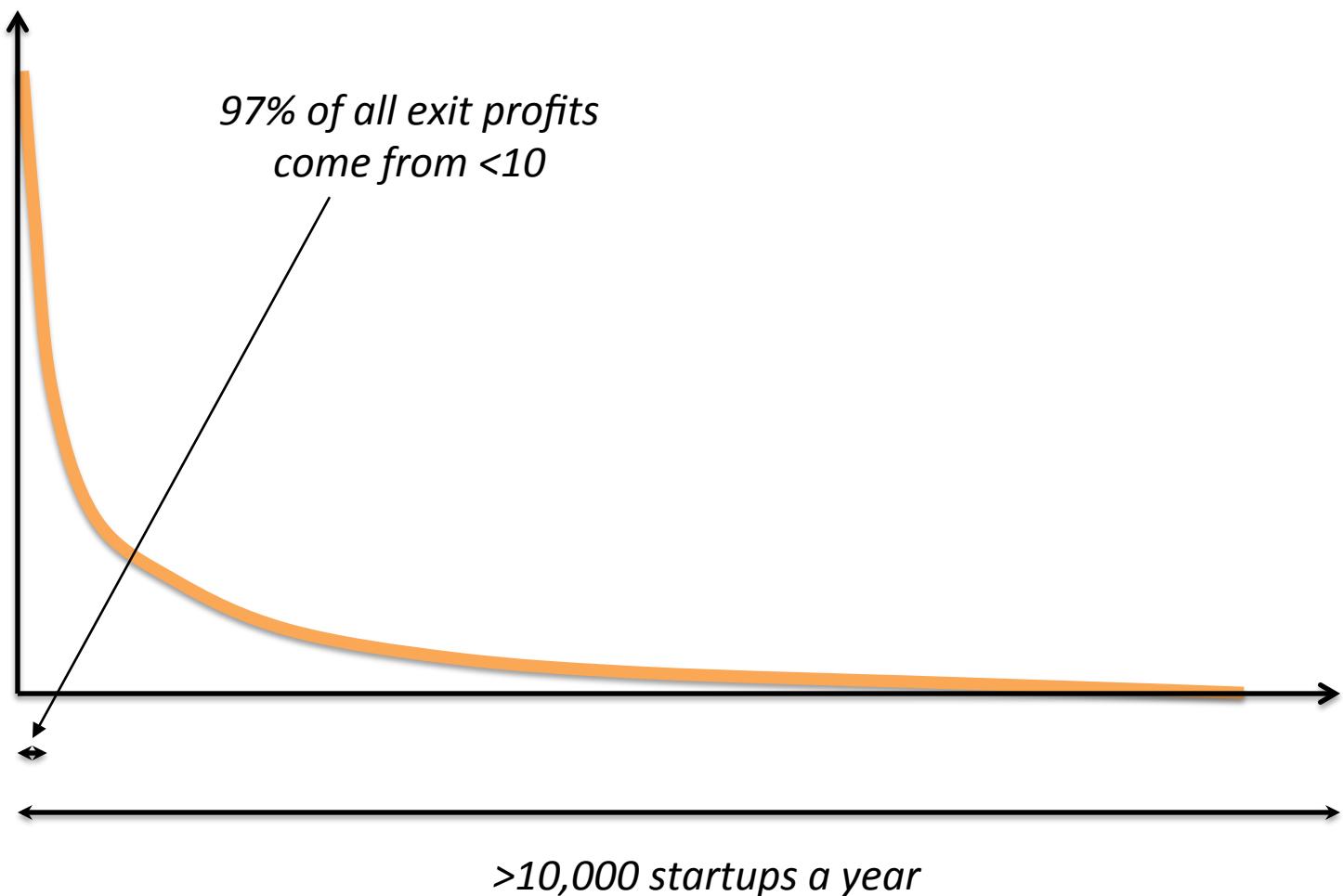
# Metcalf's Law



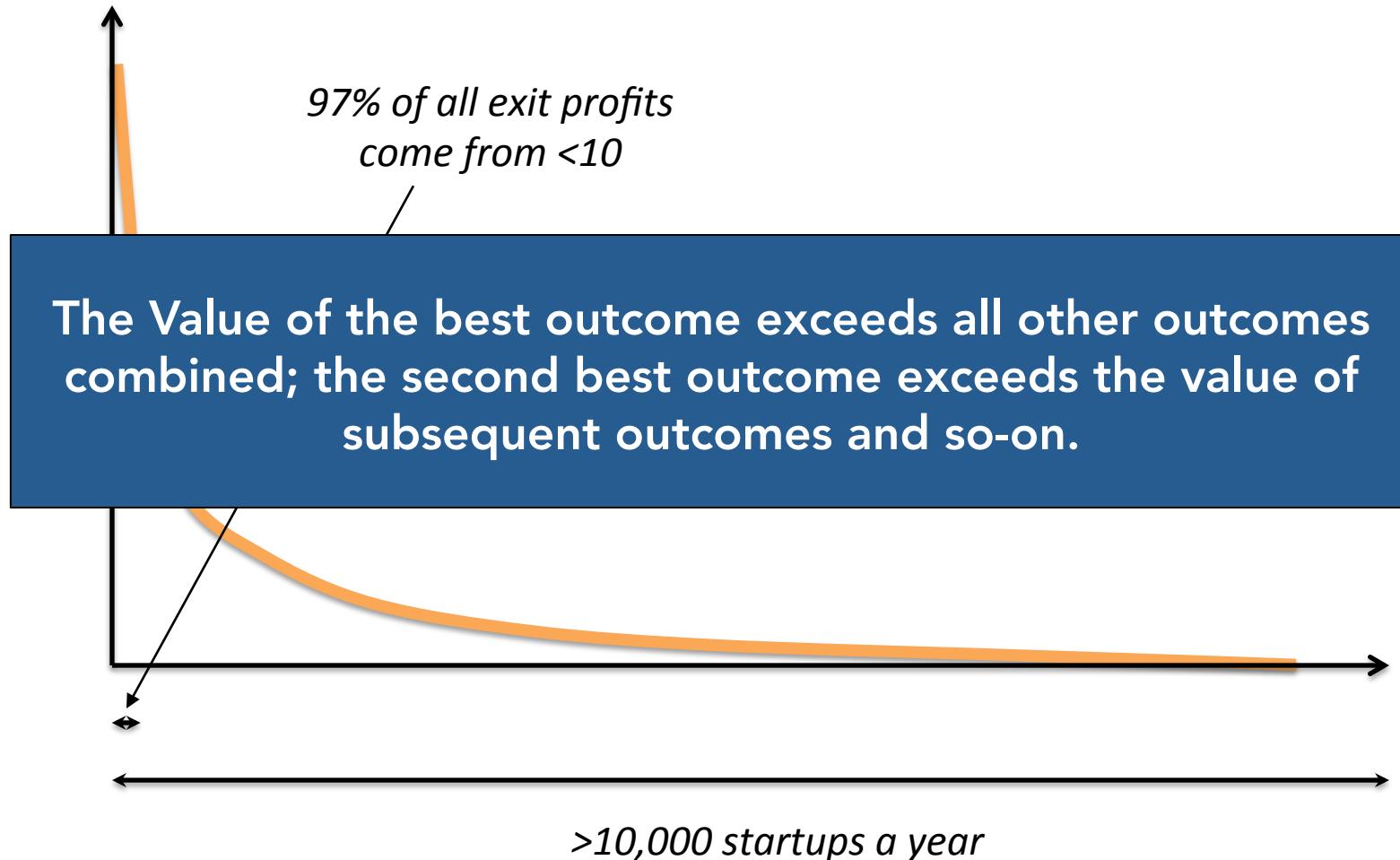
The value of a network is a function of the square of its number of nodes.



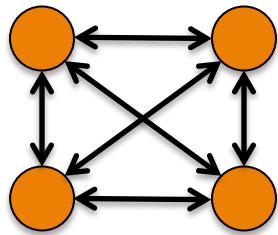
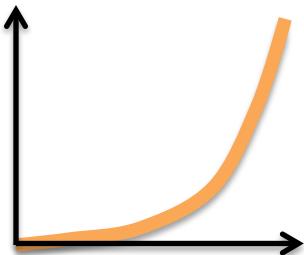
# The Power Law



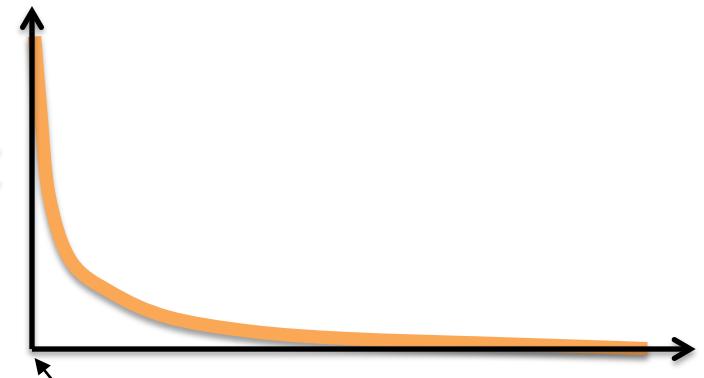
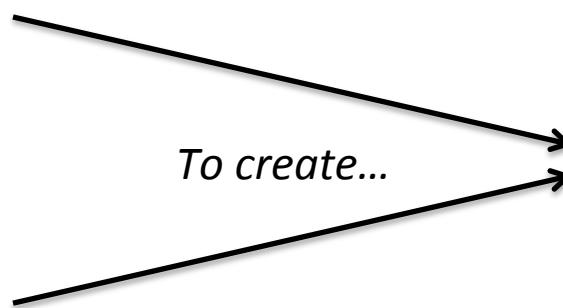
# The Power Law



# Great Startups



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



*An extraordinary  
outcome*

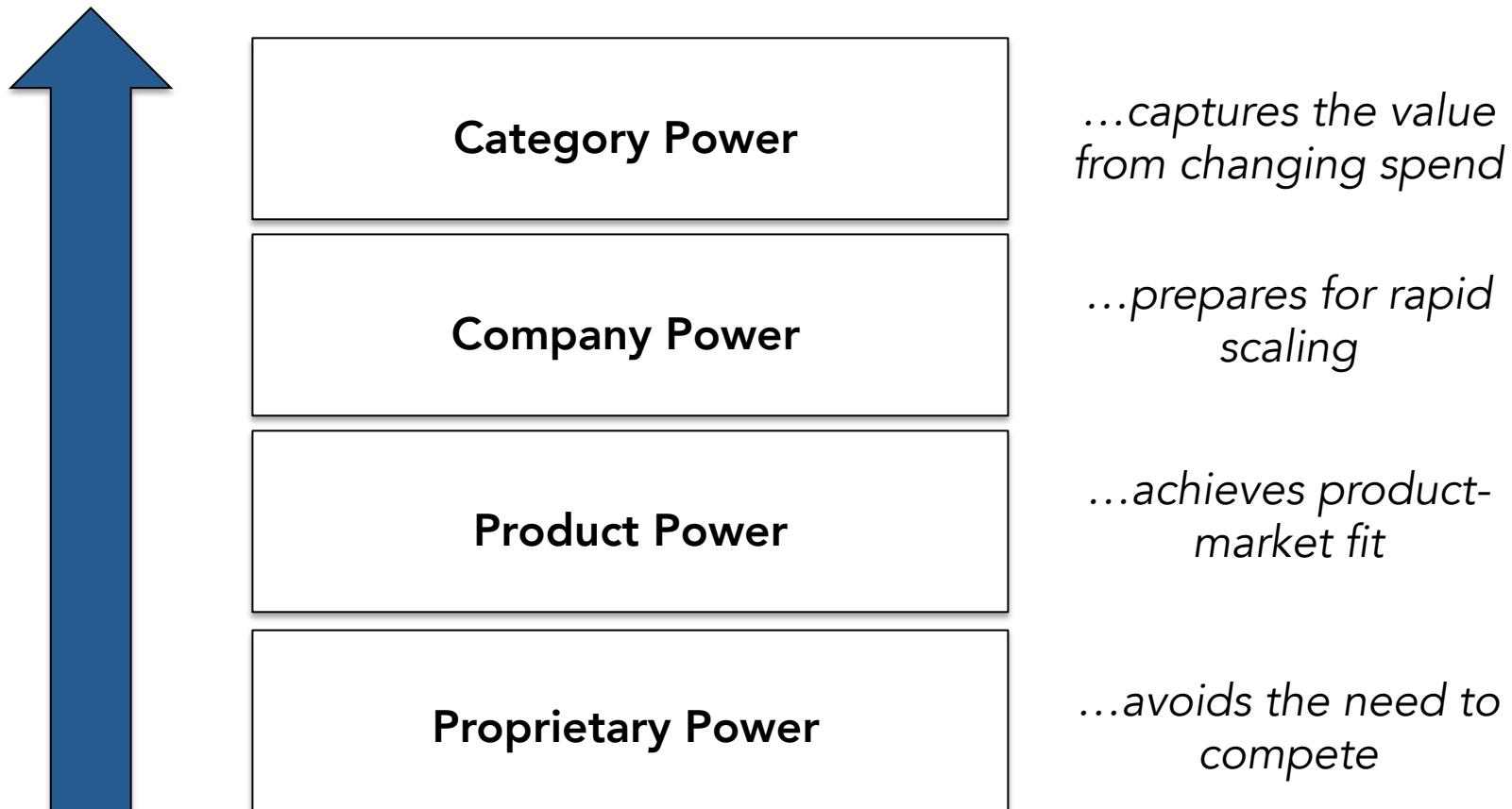
*But How?*

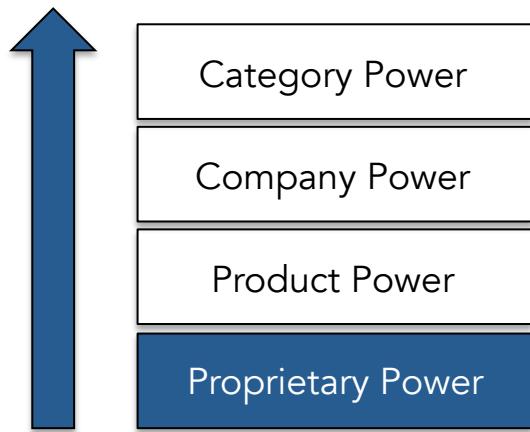
# Key Thought #2:

## The Value Stack

# The Value Stack

Value creation





# Proprietary Power

*Avoiding the need  
to compete*

# Common View of Capitalism

Capitalism is a system of perfect competition.

# More precise view

“True” capitalism and competition are opposites

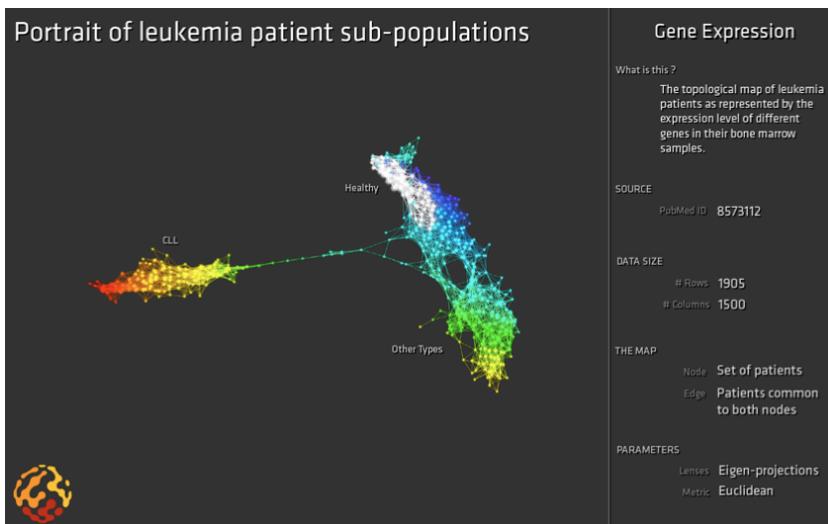
# Fundamental Advantages are Fundamental

- Perfect competition is not perfect
- Mindless competition is pervasive in Tech Startups
- 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)

Portrait of leukemia patient sub-populations



## MINIATURE MICROSCOPE

Introducing the world's smallest integrated microscope designed to obtain Ca<sup>2+</sup> imaging data from hundreds of neurons in awake, behaving animals in almost any brain region you can imagine.

MASS	2 g
DIMENSIONS	11 mm x 14 mm x 20 mm
MODALITY	Single-channel epifluorescence
EXCITATION	475/10 nm (blue)
COLLECTION	535/50 nm (green)
CABLE LENGTH	2.5 m
MAXIMUM FIELD OF VIEW	1440 pixels x 1080 pixels; 900 µm x 650 µm
TEMPORAL RESOLUTION	30 fps at full field of view with USB 3.0



# AYASDI

inscopix

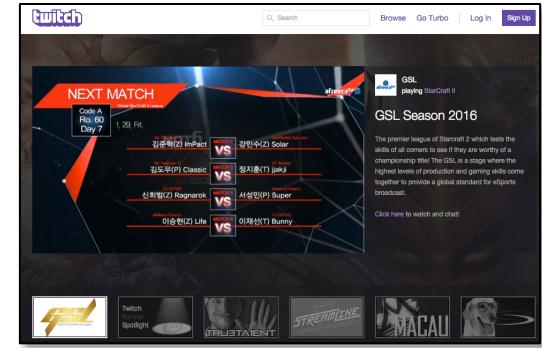
# Network Effects (usually harnessing Metcalfe's Law)



twitter



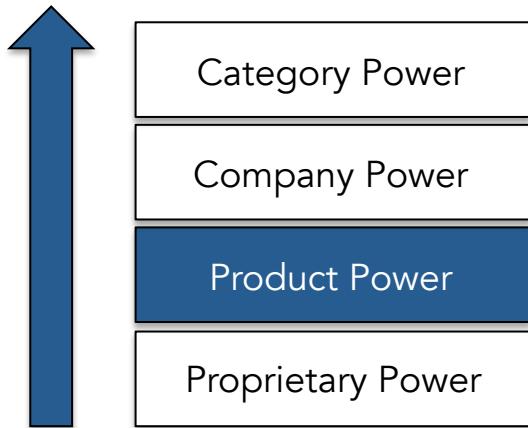
lyft



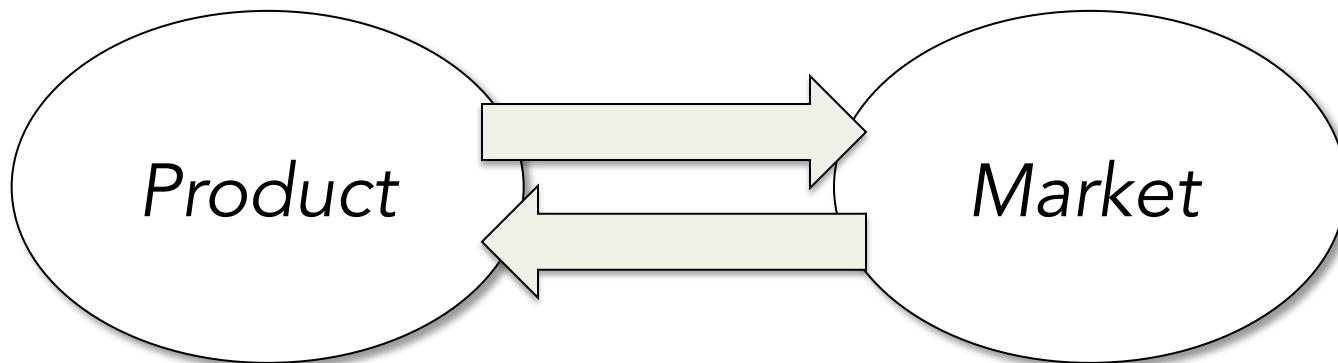
twitch

# Product Power

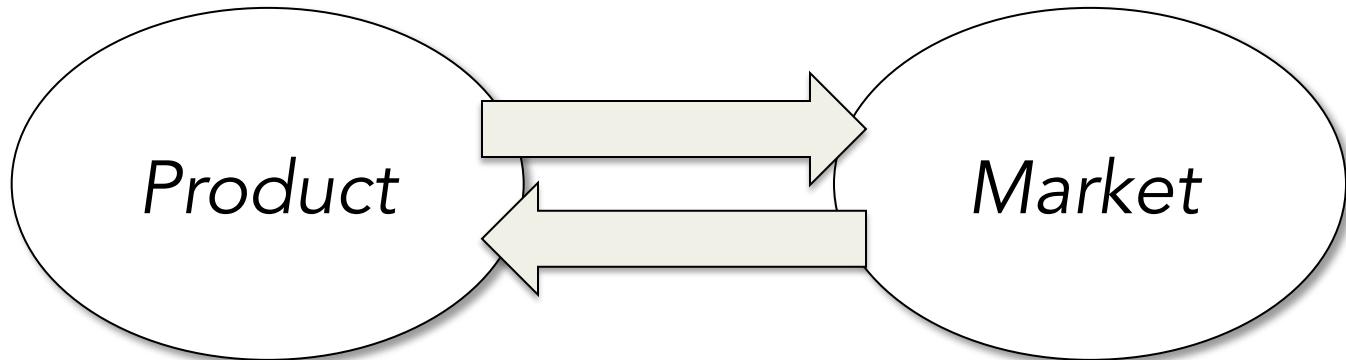
*Achieving  
Product-Market  
Fit*



# Product/Market Fit



# Product/Market Fit



"Pick" the market

- Large
- Strong customer desire
- Right timing
- Major change event
- Values your unfair advantage

# Josh Kopelman is right...



**Josh Kopelman** @joshk · Apr 26

5/ The typical founder spends their time either: PICKING an idea, STARTING a company (hunting for PMF), or SCALING a company (growing)



22



67

•••

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**Josh Kopelman** @joshk · Apr 26

6/ Most founders spend <5% of their time on idea selection, yet I believe that "the pick" accounts for >50% of startup success/failure



81



179

•••

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**Josh Kopelman** @joshk · Apr 26

7/ Observation #1) Many founders rush "the pick". If you're spending the next 5-10 yrs of your life doing something, pick your idea wisely.



137

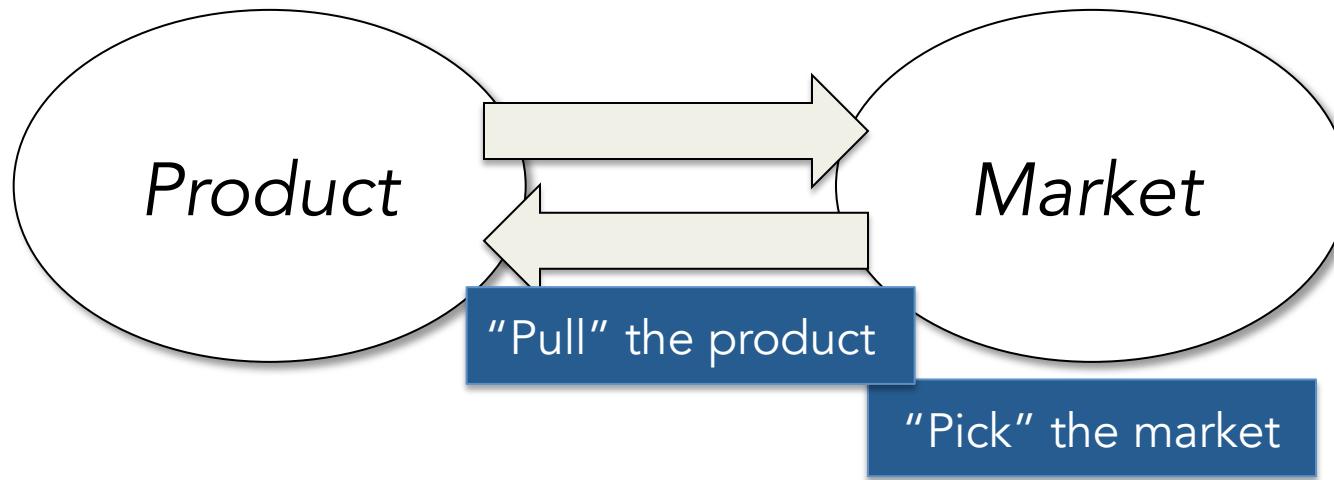


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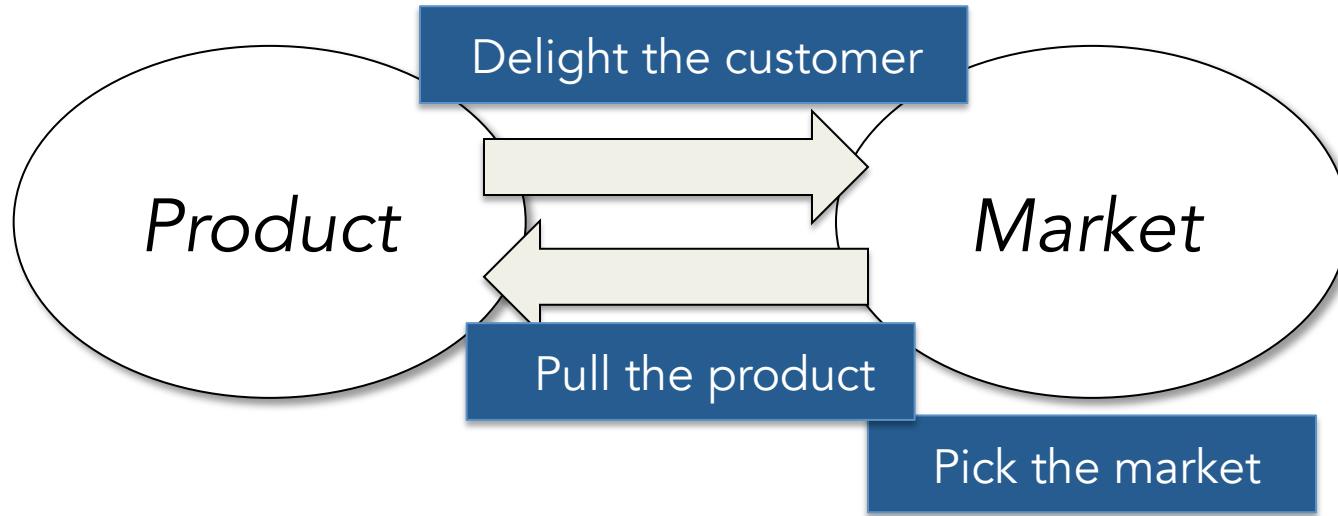
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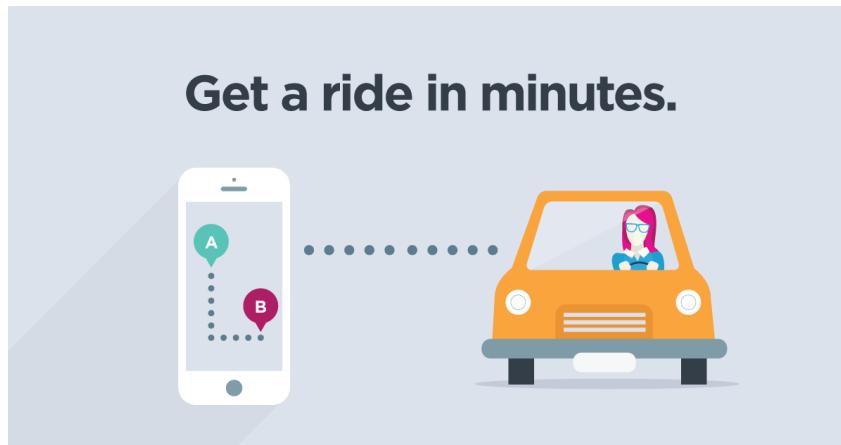
# Product/Market Fit



# Product/Market Fit



# Delighting the customer requires a “WTF” Experience



Lyft and Uber



Tesla Autopilot

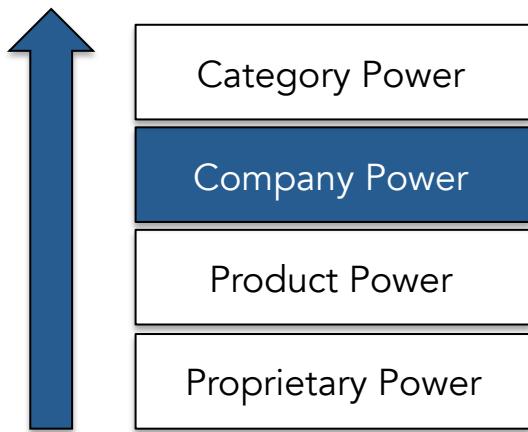
Most people never want to take a taxi again after experiencing Lyft and Uber. Your goal is to create a similar “a-ha” for the customer.

# Extra Credit

Can you make your WTF features flow  
from your key competitive advantages?

# Company Power

*Preparing for rapid  
scaling*



# Sources of Company Power

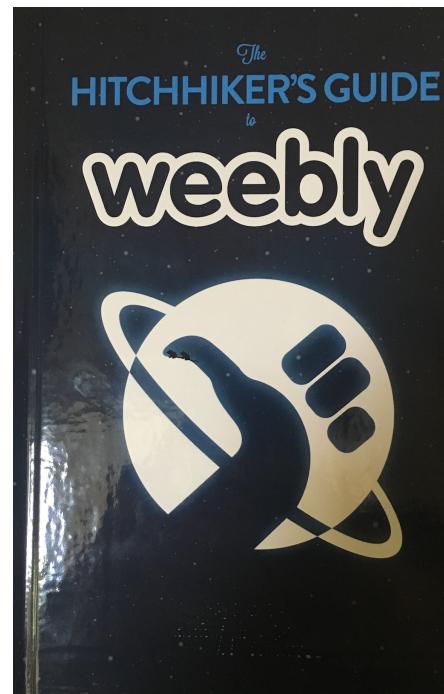
- Scalable Business Model
  - Converts innovation to value
- Scalable Management Systems
  - Avoids technical and management debt

# 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

# Culture

Define it or just let it happen?



# Basic Management Systems

- 1:1s
- Team Meetings
- Board Meetings
- Forecasting Frameworks

# Compensation Strategy

- Role of salary.
- Role of options.
- Role of bonuses.
- Particularly important in a competitive recruiting environment.

# Hot Teams

"All the News  
That's Fit to Print"

VOL. CXVIII, No. 40,721

# The New York Times

© 1969 The New York Times Company.

NEW YORK, MONDAY, JULY 21, 1969

10 CENTS

## LATE CITY EDITION

Weather: Rain, warm today; clear tonight. Sunny, pleasant tomorrow. Temp. range: today 80-66; Sunday 71-66. Temp-Hum. Index yesterday 69. Complete U.S. report on P. 50.

# MEN WALK ON MOON

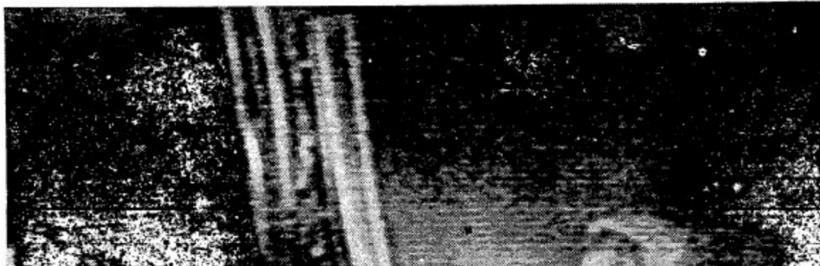
## ASTRONAUTS LAND ON PLAIN; COLLECT ROCKS, PLANT FLAG

### Voice From Moon: 'Eagle Has Landed'

EAGLE (the lunar module): Houston, Tranquility Base here. The Eagle has landed.

HOUSTON: Roger, Tranquility, we copy you on the ground. You've got a bunch of guys about to turn blue. We're breathing again. Thanks a lot.

TRANQUILITY BASE: Thank you.  
HOUSTON: You're looking good here.



### A Powdery Surface Is Closely Explored

By JOHN NOBLE WILFORD

Special to The New York Times

HOUSTON, Monday, July 21—Men have landed and walked on the moon.

Two Americans, astronauts of Apollo 11, steered their fragile four-legged lunar module safely and smoothly to the historic landing yesterday at 4:17:40 P.M., Eastern daylight time.

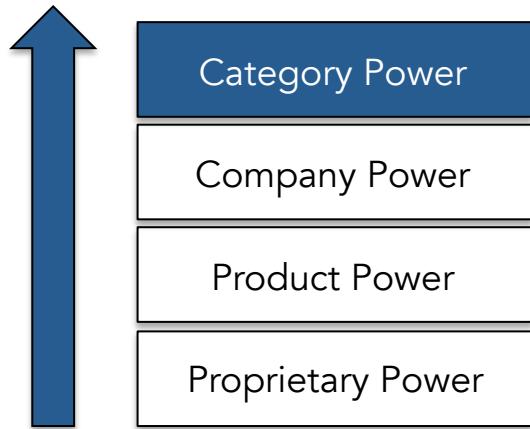
# People wanted to understand...

- How did NASA land on the Moon in 1969, before HP even invented the pocket calculator?
- Why were some teams 100x more productive than would be typically expected?
- So, people studied how it happened and came up with a term to describe these groups....*Hot Teams*.

# Hot Teams Don't Happen by Accident

- They start with a Mission that is Super Clear and Super Compelling, with 100% buy-in
- If I am on the team, I know....the goal is super important and it will not happen without me.
- Require explicit empowerment
  - Often founding teams say “these features by this day” ....disempowering
  - Better to have management decide on the required features or the required date, but not both
  - The team must have complete ownership over one of these variables
- A profoundly important mission combined with a highly empowered team is how “Hot Teams” develop a mindset to overcome any obstacle.

# Category Power



*Capturing the value  
from changing  
spend*

# Category Kings...

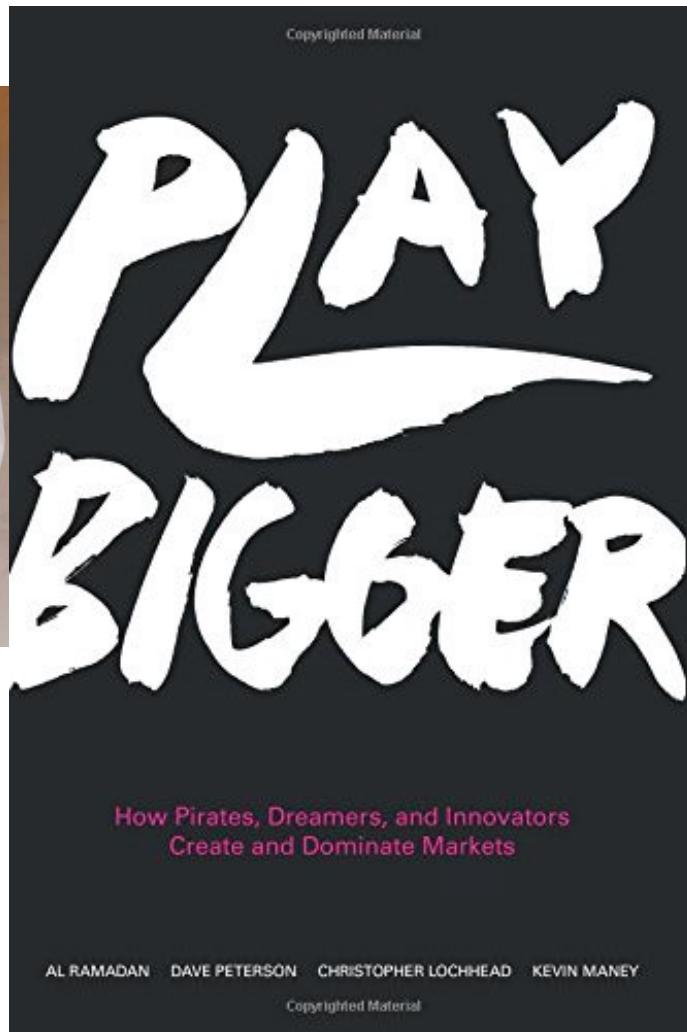
- Don't just make something to sell to people
- Introduce the world to a new category of product or service.
- Replace our current point of view with a new point of view.
- And ultimately, they change how people and businesses decide to spend their money.

# Examples



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

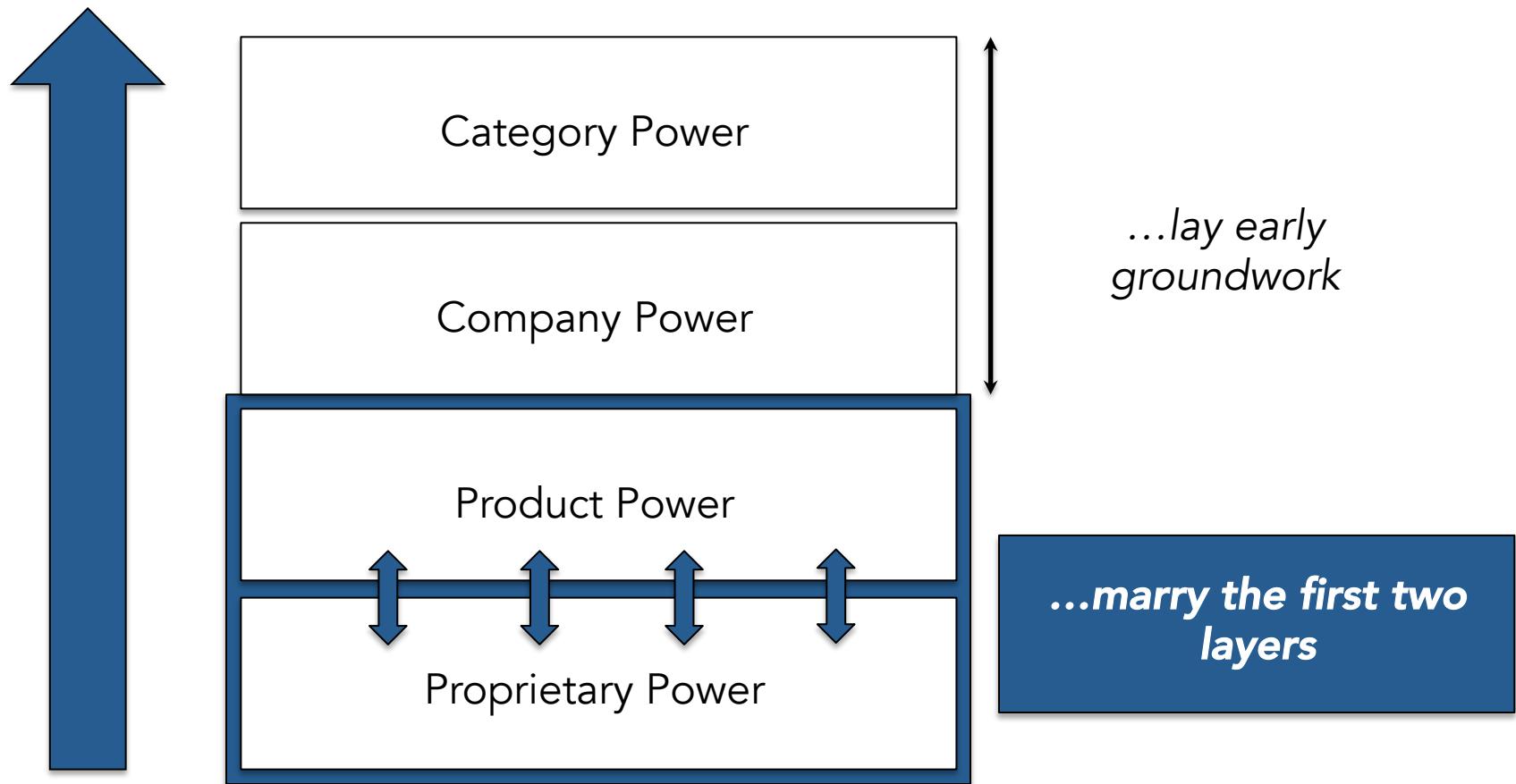
# A New Manifesto for Founders?



# Funding your value stack

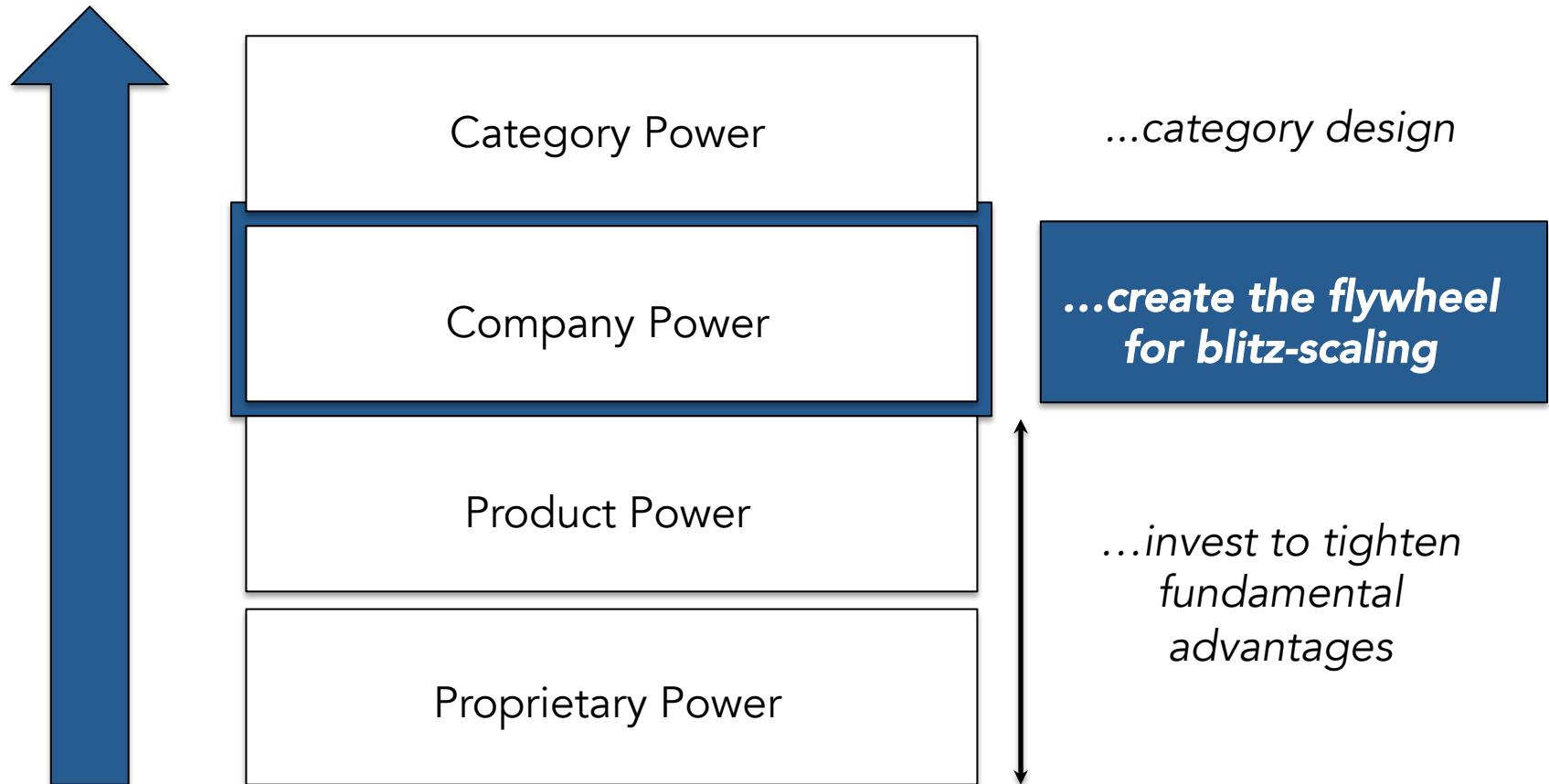
# The Goal of Seed Rounds

Value creation



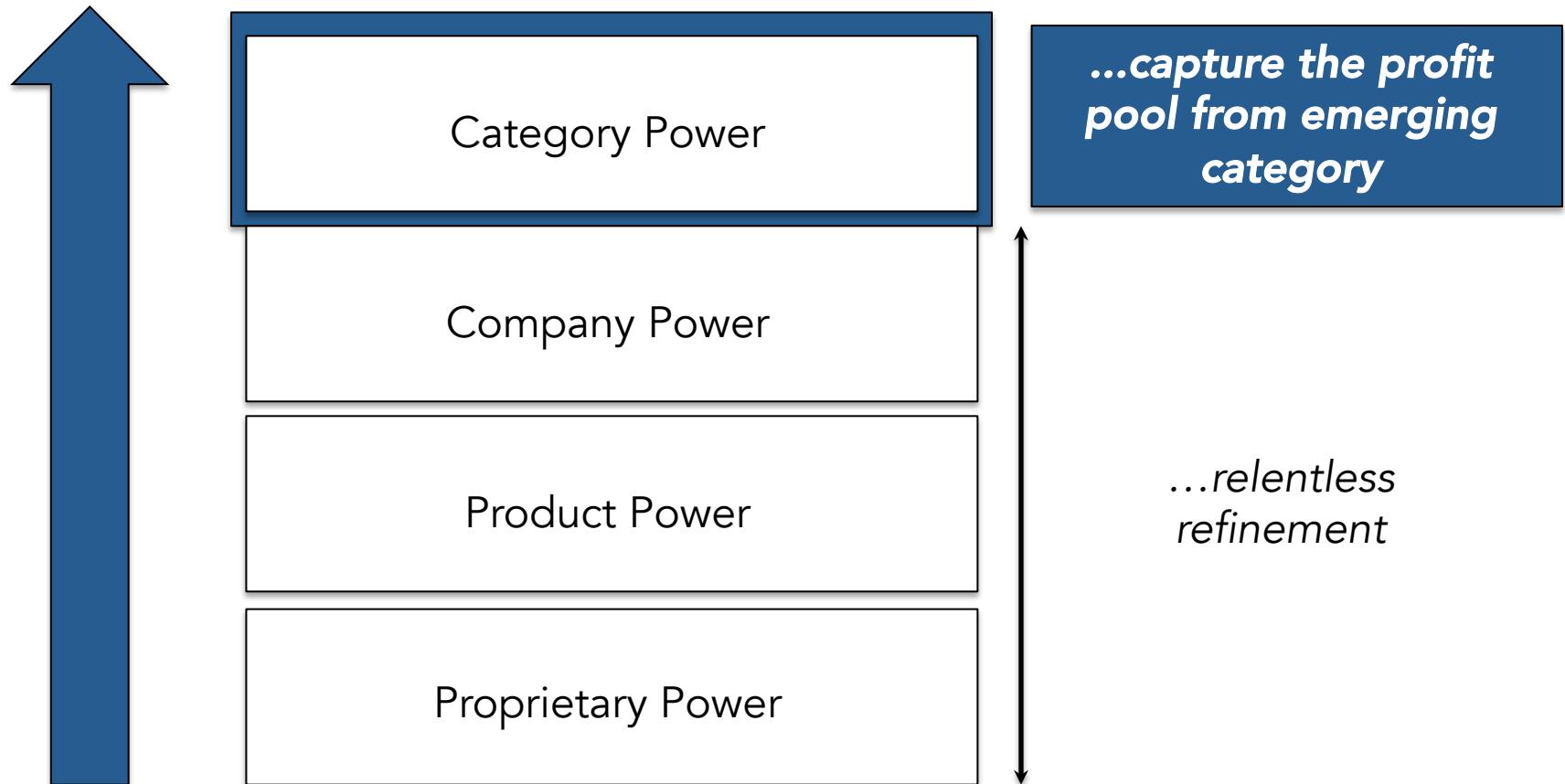
# The Goal of “Execution” Rounds

Value creation



# The Goal of “Late Stage” Rounds

Value creation



All of us need to  
up our game.



**PREMONEY**

The word "PREMONEY" is composed of a grid of small, semi-transparent letters and symbols, primarily in shades of red, orange, yellow, and green. The letters are arranged in a staggered, non-linear pattern, creating a sense of depth and texture. The background behind the text is a dark, solid color.

# Suggested Reading

Category Power	<b>Play Bigger</b> , by Al Ramadan, Dave Peterson, Christopher Lochhead, Kevin Maney
Company Power	<b>High Output Management</b> , by Andy Grove <b>Scaling Up Excellence</b> , by David Sutton and Huggy Rao <b>Business Model Generation</b> , by Alexander Osterwalder <b>CS183 Blitz-scaling Notes</b> , by Reid Hoffman, et al
Product Power	<b>The Only Thing That Matters</b> , Pmarca blog <b>The First Mile</b> , by Scott Anthony
Proprietary Power	<b>The Wealth of Networks</b> , by Yochai Benkler <b>Zero to One</b> , by Peter Thiel