

# **Five Pillars of Entrepreneurship**

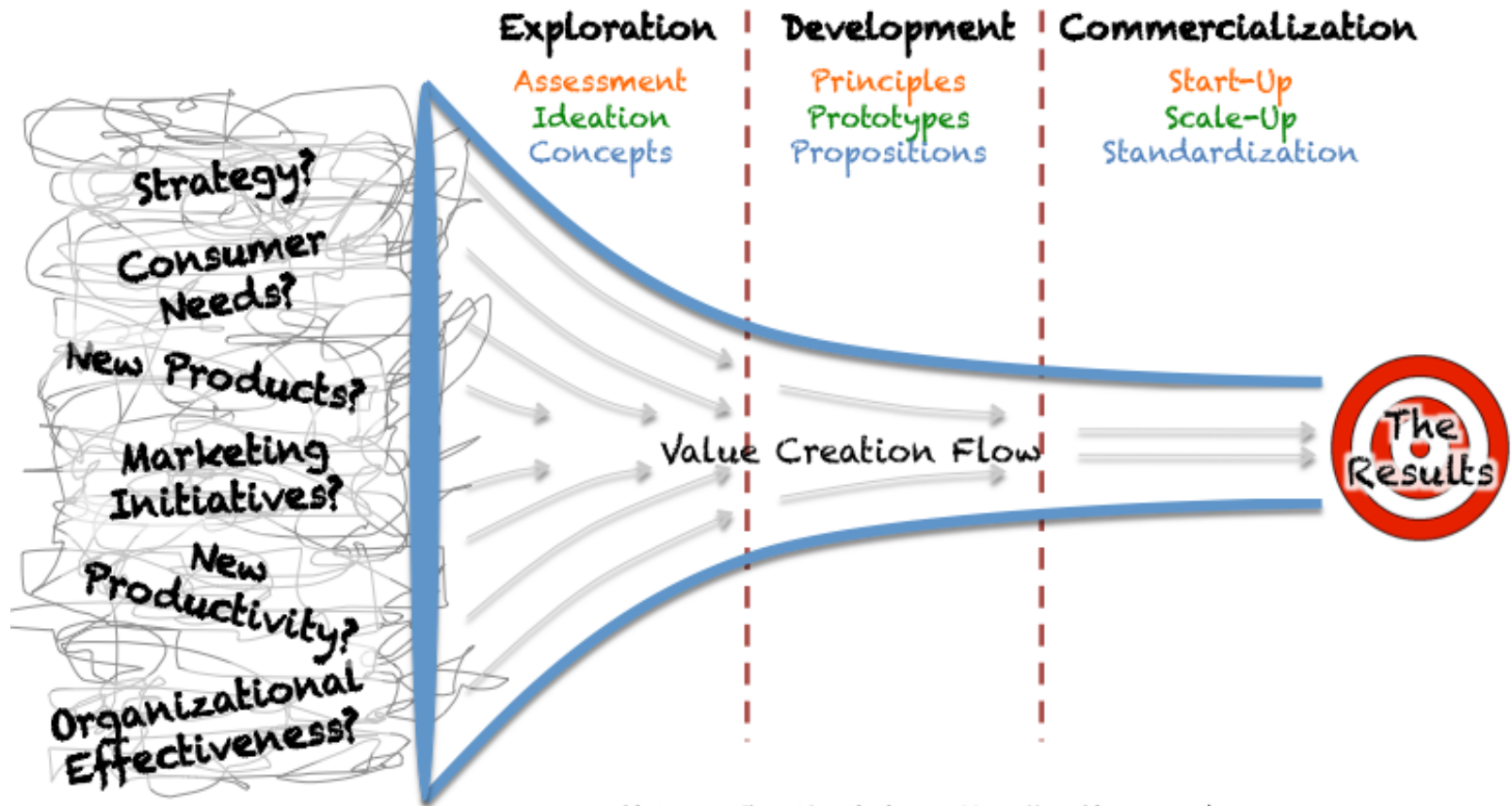
# **Five Pillars of Entrepreneurship**

- Value Creation
- The Lean Startup
- Customer Discovery and Validation
- The Business Model Canvas
- The Entrepreneurial Method

# VALUE CREATION

- Value Creation forms the basis of a venture for a technology entrepreneur as it defines the value the product creates to the customers. The best businesses in the world are the ones that create best value for other people through their products or services.
- It forms the basis for the business to prosper through the above contribution.
- Value creation can be achieved by value propositions which are very important to a venture as a product or service's value through this is communicated to the customers. Value propositions also help guide the venture's internal decision making.
- A better designed business produces better designed value propositions.
- Assessment and reviewing products to meet customer's needs also plays an important role in a ventures success or failure.
- Value Creation Funnel forms the basis to judge the progress of value creation for start-ups by technology entrepreneurs. Ideas are not monetized until they make it all the way through the Funnel. Then they have impact and drive meaningful results. The Funnel is sketched as shown:

# THE VALUE CREATION FUNNEL™

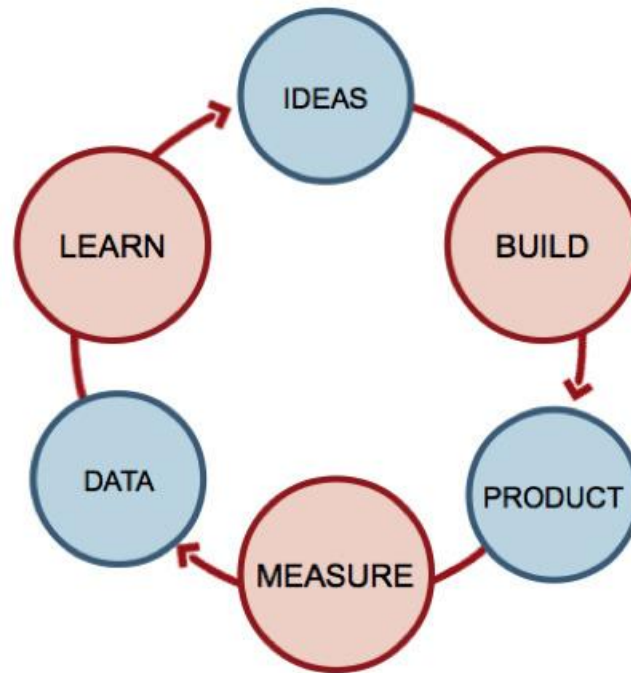


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# The Lean Startup

- Lean manufacturing changes the way supply chains and production systems operate. It emphasizes empowering individuals to solve problems as they arise to promote continuous improvement and organizational learning.
- Lean manufacturing also emphasizes small batch sizes, just-in-time inventory systems, and accelerated cycle times. It is about experimenting, learning, and constantly improving.
- Lean manufacturing led to the concept of ‘lean startup’ in product development process of startups and is used to refer to a nascent product is the minimal viable product, or “MVP.”
- The MVP is introduced to potential customers for their feedback, and then based on this feedback a decision is made either to pivot to something different or to persevere along the current product development pathway. This process is referred to as the Build-Measure-Learn Feedback Loop.

# Lean startup cycle



***“Atleast 2/3 of our ideas are never going to work.The other 1/3 will take 3/4 iterations to get right”***

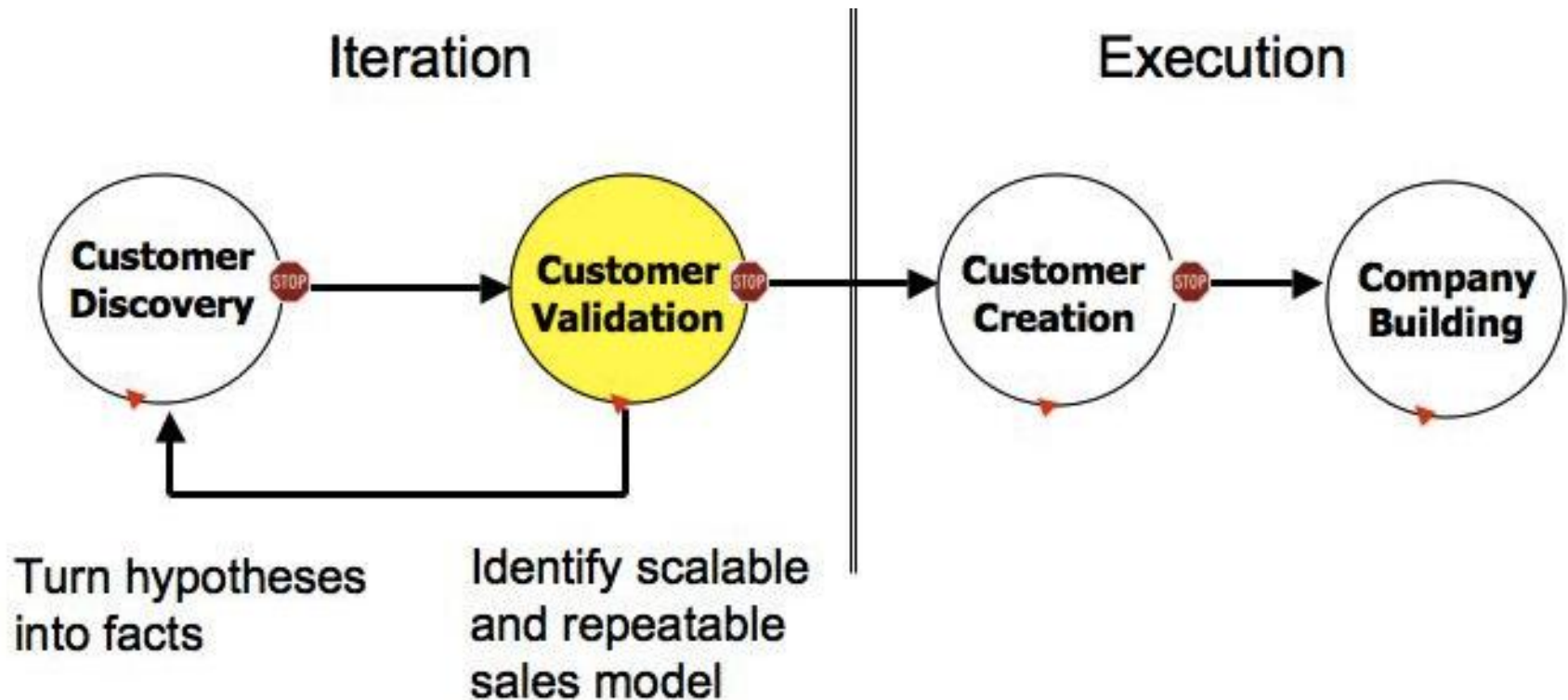
***-Marty Cagan***

# Customer Discovery and Validation

- Startups must generally discover a scalable, repeatable business model via customer discovery and validation, then the company must transition from searching for a business model to executing a business model.
- Customer discovery is defined as a process that captures the founders' vision and converts it into a series of hypotheses that can be tested with customers.
- Customer validation is the process of testing whether the evolving business model is repeatable and scalable.



# Customer Discovery and Validation



## The four phases of customer discovery step (process) include:

1. [State your hypotheses](#): Write down your core business assumptions in a set of briefs. These form the basis for subsequent testing.
2. [Test your hypotheses](#): Seek validation for your hypotheses. Speak to those in and around your target market, including potential customers, analysts and the media. These should not be sales-oriented conversations.
3. [Test your product concept](#): Once you have a deeper understanding of the customer problem, test your product idea to get a sense of the relevance and attractiveness of your product solution and its features. Do this by engaging potential customers and sharing information with your product development team.
4. [Evaluate customer feedback and determine next steps](#): Reflect on the information obtained in phases 2 and 3. Are you ready to move forward with what you have? If not, you may need to conduct another iteration of problem/solution validation or halt the project.

After completing the four phases of the customer discovery step, you will have what you need to create the following four items

- A problem statement (that is, an analysis of the nature of the customer's business problem)
- A [product requirements document](#)
- A [sales revenue plan](#)
- A [business](#) and [product](#) plan

# Customer Discovery and Validation

- After the customer validation process the venture should focus on verifying that the emerging business model can be scaled to meet customer demand. During this phase, technology ventures release what are referred to as high fidelity versions of their products to test key features with customers.
- The use of these test sales helps the company identify important elements of the business model including:
  - ✓ The key features that customers prefer
  - ✓ The existence of a market large enough to be interesting
  - ✓ The product's perceived value among customers
  - ✓ Demand for the product
  - ✓ The economic buyer of the product
  - ✓ Pricing and marketing channel strategies
  - ✓ The sales cycle and selling process

# THE BUSINESS MODEL CANVAS

- A technology entrepreneur needs to discover a repeatable and scalable system that consistently delivers value to defined customers.
- “Repeatable” means that the system created should promise to produce and deliver value to customers on a consistent basis.
- “Scalable” means that the repeatable system can be made to handle enough volume to serve a growing customer base.
- To develop a viable business model, the technology entrepreneur—whether starting a for-profit or nonprofit enterprise—must find a way to bring in more cash than is used to create and deliver value to customers

# BUSINESS MODEL CANVAS

<b>KEY PARTNERS</b> Who are our key partners? Who are our key suppliers? Which key resources are we acquiring from our partners? Which key activities do partners perform?	<b>KEY ACTIVITIES</b> What key activities do our value propositions require? Our distribution channels? Customer relationships? Revenue streams?  <b>KEY RESOURCES</b> What key resources do our value propositions require? Our distribution channels? Customer relationships? Revenue streams?	<b>VALUE PROPOSITIONS</b> What value do we deliver to the customer? Which one of our customers' problems are we helping to solve? What bundles of products and services are we offering to each segment? Which customer needs are we satisfying? What is the minimum viable product?	<b>CUSTOMER RELATIONSHIPS</b> How do we get, keep, and grow customers? Which customer relationships have we established? How are they integrated with the rest of our business model? How costly are they?  <b>CHANNELS</b> Through which channels do our customer segments want to be reached? How do other companies reach them now? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines?	<b>CUSTOMER SEGMENTS</b> For whom are we creating value? Who are our most important customers? What are the customer archetypes?
<b>COST STRUCTURE</b> What are the most important costs inherent to our business model? Which key resources are most expensive? Which key activities are most expensive?		<b>REVENUE STREAMS</b> For what value are our customers really willing to pay? For what do they currently pay? What is the revenue model? What are the pricing tactics?		

# The Entrepreneurial Method

There are four principles that have been identified as part of the entrepreneurial method:

***Principle 1:*** Expert technology entrepreneurs believe Value Creation is the Primary Purpose of their Business.

- The concept of the “lean startup” aligns well with this principle. The lean startup counsels the entrepreneur to eschew business plan development and focus on bringing the MVP(*minimal viable product*) to the market as quickly as possible. According to this perspective, the value creation process is iterative and experimental, relying on customer feedback to discover what the venture should attempt to sell.

***Principle 2:*** Expert Technology Entrepreneurs rebound personally and professionally from failure.

- Expert entrepreneurs are competitive by nature and are prepared to compete in markets where there are clear winners and clear losers. They are fully able and eager to embrace disruptive innovation that clears the way for new industries and new ventures.

# The Entrepreneurial Method

***Principle 3:*** Expert technology entrepreneurs respect private property and Uphold Contractual Obligations

- Technology entrepreneurs understand that they are able to do what they please with private property to which they lay valid claim within the boundaries of common law and regulations pertinent to their industry.
- Expert entrepreneurs realize that it is necessary to create contracts they are capable of fulfilling. Expert entrepreneurs act intuitively on the premise that private property needs to be respected and that contracts are to be honoured.



# The Entrepreneurial Method

***Principle 4:*** Expert technology entrepreneurs respect the Judgment of the Marketplace

- The concept of opportunity recognition is based on the assumption that a pre-existing market is somehow “out there” in the entrepreneur’s environment waiting to be analyzed for “gaps” in the current offerings. However, it is clear from research on how expert technology entrepreneurs actually bring products to market that it is often the case that these entrepreneurs must act as often to create the market as to exploit it.
- The act of market creation involves skills, techniques, and metrics that differ markedly from those that are necessary for traditional market analysis and new product launch.
- Market creation requires the entrepreneur to be skilled at listening, experimenting, gathering feedback, and rapid prototyping. Expert entrepreneurs regard it as a virtue to be willing to abandon deeply held beliefs about what customers want and to listen and respond to their feedback to refine and improve offerings.