Personality

The Big 5

cor. to business success

- Openess : to new experience (creativity) ↑
- Conscientiouness : organized , trustworthy ↑
- Extraversion : outgoing , talkative ~
- Agreeableness : friendly , non-competitive ~
- Neuroticism : lack of emotional stability ↓

Motives

Internal forces that push people to certain action.

- Need for achievement ↑
- Need for autonomy ↑

Affects

Information Processing:

Positive: triggers global view

Negative : focus on details

Memory :

Moods filters information for events for same type (storage).

Recalling is also facilitated for same type (retrievel)

Stress :

positive affects leads to health benefits and more network of supporters

Passion : affects the entrepreneur (focus , drive , persistence)

affects the stakeholders (attrack people , investor value signal , limits feedback).

Can be : harmonious or obsessive

Guest Lecture 1 : Streventt and Medea

Streventt: event-platform for virtual event (CoViD)

Medea : antibacterial agent for killing harmful bacteria

There are high and lows during entrepreneurial process. From project to project you increase network quantity and quality, hard and soft skills , resilience and less fear to unknowns situations.

You gain : passion for new ideas , freedom (time, financial) , highs , adventures, prove yourself. Your network growth , paths cross often.

There is no effort without error and shortcoming .

Type of companies:

- Fundraise (Investment)
- Bootstrapping (Revenue)

Opportunity

Opportunity are those situations where new goods, services, raw materials are sold at greater value than opportunity cost

Creativity

Generation of ideas that are both novel and potentially useful. Creativity involves convergent (rational) and divergent (gut feeling, irrationality) thinking.

Analogical reasoning: applying knowledge from one domain to another. Ex: cat eye sight, n.n
Conceptual Combination: combining different, previously unrelated (contrary) concepts. Ex: healty fast food
WIBN: wouldn't it be nice if... ask this kind of qustions to encourage thinking.

Knowledge

Prior knowledge determines the discovery of a particular opportunity.
Tech. Innovation (research) → Knowledge (experience in some area) → Opportunity (application)

Prior experience can also sometimes blind you → Sony's 18-h CD

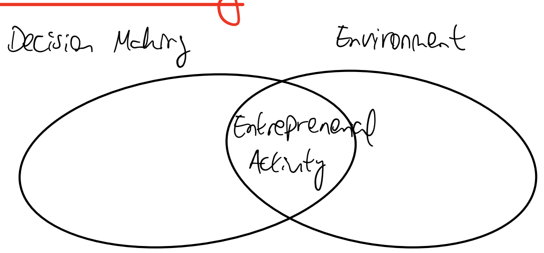
Network

Panel study of entrepreneurial dynamics (PSED).
Private network: parents in business, encourage from friends, friends in business

Changes in Environment

Opportunities emerge from changes in political, economic, societal, technological conditions (PEST). Be aware of changes in PEST, anticipate consequences, think of potential business opportunities

Decision Making



risk: when probability of an outcome is possible to calculate or is knowable

uncertainty: when probability of an outcome is not possible to determine or is unknowable

Causal logic: you have a recipe for reference. In case of cooking, you buy the food and follow the instructions

Effectual logic: is the case of entrepreneurship. You don't have where to copy. You are forced to think how to utilize the resource you have at hand.

Effectual Principles

Effectuation framework that helps us to understand how entrepreneurs deal with uncertainty:

1. Start with means (the cooking metaphor):

   Instead of starting with desired outcome and focus on means to generate it. Start with resources and select among possible outcomes.

   Advantage of being means-driven: you are not chasing investors, you don't wait for perfect opportunity, you focus on your strenghs → you increase the chance to find opp. that fits you

2. Affordable Loss

   Instead of calculating upside potential and pursue best opportunity. Calculate downside potential and risk no more than you can afford to lose.

3. Form Partnerships.

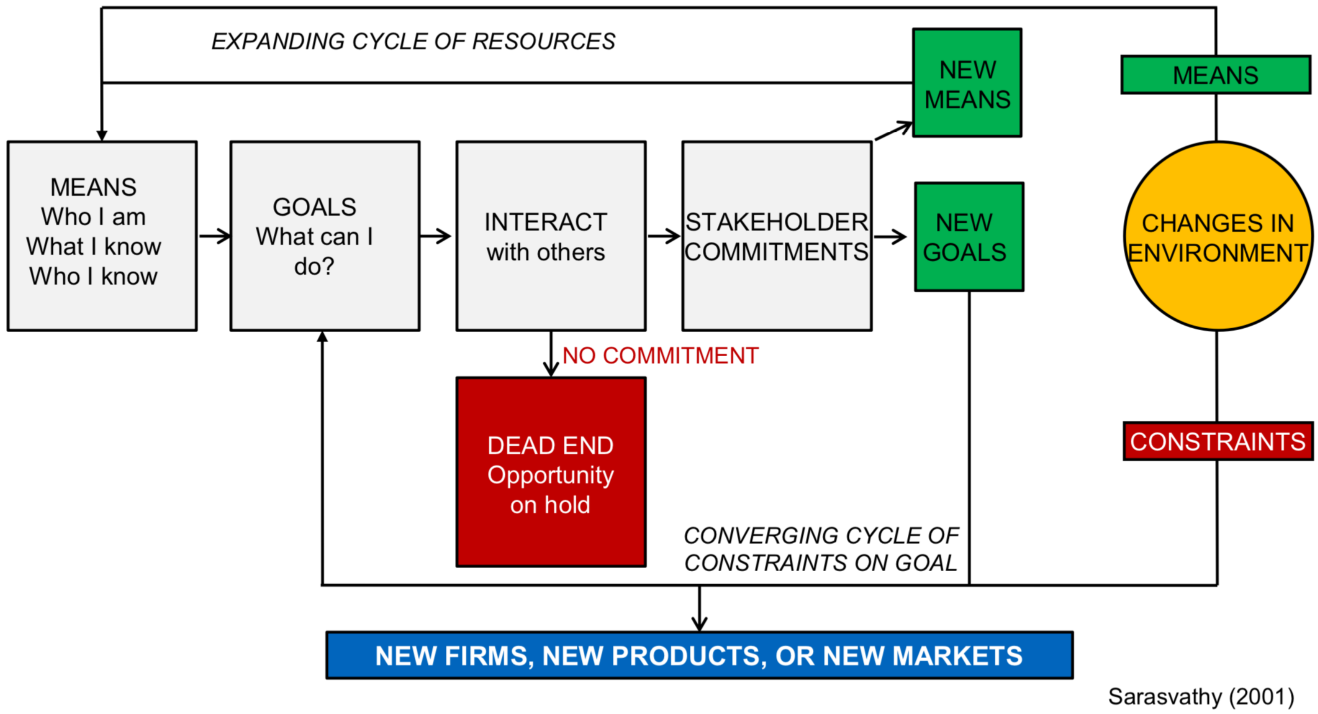
   Instead of setting up transactional relationship with customer and suppliers. Build your future together with customers, suppliers and even competitors.

   The benefits are that each stakeholder brings new means to the venture and only strives to invest what they can afford to lose. The cons is that the partnership contains unexpected contingencies.

4. Leverage Surprises

   Instead of avoiding surprises, think of that surprises and even failures can bring new opportunities.

   Lemonade principle: leverage surprises, the unexpected is not a cost but a resource which can provide you with new business opportunities.



Guest Lecture 2 : Droov

Droov: online store and delivery business in minutes. Compared to Thuisbezorgd, restaurant owners can have a better share and transition to their own brand.

Design thinking process is messy. Their key is to put lots of effort in research and communication with potential customers, one conversation at a time.

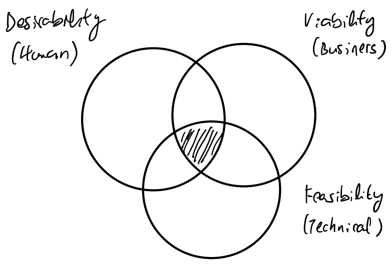
The "stick-to-your-vision" approach works for well-defined problems (like competitions). Startups are more like life science, where you need to follow the trail wherever it leads.

Design Thinking

How to develop products in a way that fits customers needs.
Design can be understood as any action aimed at changing existing situations into preferred ones.

A human-centered approach to integrate needs of people, the possibility of technology and requirements for business success. Instead of always going for the most innovative solution.

Mindset: curiosity, reframing, collaboration, mindfulness of process, bias toward action



Human-centered approach

Design Thinking Process

It is an iterative process

Emphatize – Define – Ideate – Prototype – Test

1. Emphatize

The work you do to understand people. The way they do things and why, the physical and emotional needs, how they think about world.
Observe, engage, watch and listen

2. Define

Bring clarity and focus to the design choice → a meaningful and actionable problem statement. By making sense of the widespread information gathered and becoming an expert on the subject

Context is the key. We should keep in mind the people from whom we gathered information, are they representative for our targets?

3. Ideate

It's about creativity, one uses his imagination to come up with solutions that would potentially solve the problem. Brainstorming, WIBNI

4. Prototyping

Something you create with the explicit understanding that it is not the finished product but instead a stepping stone

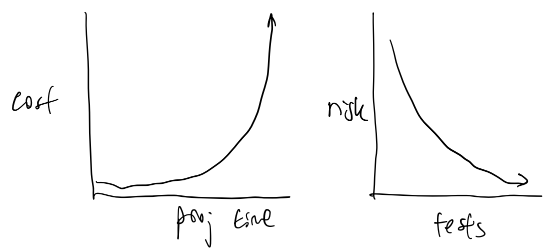
5. Test

You can't put a prototype in front of a user and test it. But it should be presented in a way that the users gives you the most honest and natural feedback.

Entrepreneur Prototyping

Types physical - tangible
analytic - virtual (VR)
experimental - behavioral (simulation)

Por try out the idea, learn about important issues, fail quickly and cheap, communicate idea to stakeholders (from customer's description, to developers, ..., to what he really needs)



Stages 1. Inspire
2. Evolve (paper, sketch)
3. Validate

Think about your ideas using cheap or reusable material. Should be representational for a part or all your ideas.

Guest Lecture 3: Filics

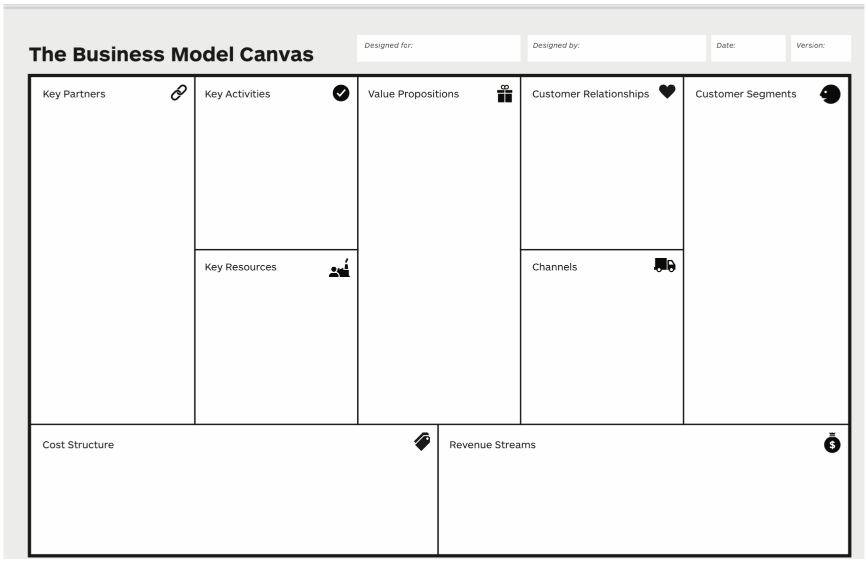
Filics: automated trasportation. Autonomous, smart by software, as compact as possible

Steps: 1. Meet people with similar motivations. Think about problems to be solved.
2. Go after your idea, build first prototype and feel difference between simulation and reality
3. Talk with people, find the way into the industry.

Many phases of prototyping breaking down the problem into smaller ones and solve them one by one

Encountered problem: went the tech way without a deep understanding the real needs
Compared to traditional methods: Filics need less space for the trasportation

Business Modelling



Business model describes the rationale of how an organization creates, delivers and capture value.

Is more than a product because it captures all aspects of the organization. Strategy means the choice of business model. Has key influence on firm performance

Value Proposition

What value do we deliver to the customer, what problem do we solve for them. What bundle of products do we offer for each customer segment.

Frontend - Customer Segments

Who are we creating value, who are our most important customer groups : mass market, niche market

Distribution Channels

Through which channel do we reach the customers, how would they like to be reached. Which are more cost efficient : personal assistant, automated assistant (chatbot)

Customer Relationship

What relationship does the customer expect from us. Which ones have established.

Revenue Stream

How much are customers willing to pay, what are current plan, how will they pay. How large is each revenue stream. Ex: sales, subscription, licensing, advertising

Backend - Key Resources

What key resource do our proposition require, our distribution channel? customer relationship? revenue streams? Ex: hardware or software algorithms

Key Partners

Partners that takes part in the core of our business process. Key partners or suppliers. What key resource do they provide. Ex: Flixbus and the bus lending companies

Key Activities

Activities that is required for our value proposition. Distribution channel and customer relationship. Ex: solutions to some problem

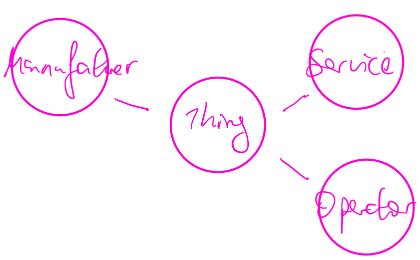
Cost Structure

What are the most important cost for the business activity. Which key resource or activity are most expensive. Ex: fixed cost, variable cost, raw material, human labor

Multi-sided Business model: fits when the end user are not the customers. You still create and capture value from users. But the customers monitize it. Value from users are often captured in derivative currency. Customers pay on secondary market for derivative currency.

Guest Lecture 4: Rembergs

Rembergs: build software that helps other companies (even inter-company) to manage their machine and infrastructures better (IOT). An example application is in the car manufacturing sector, once the car is sold they could help them to track the car in the entire lifecycle.



Initial business model: sell software to manufacturer with fixed price
Now: use network effect to also make the operators take part. But why would manufacturers help them? Through incentives.

Kuka as an example of manufacturer can sell multiple robots to the customers. Whenever some issue happens, customers can contact service provider to fix them.

Entrepreneurial Finance

Cash flow: at the beginning the expenses are higher than revenue (normally 0).
Valley of death is the time when the income is lower than expense.

Cash burn rate: rate at which cash is consumed to support the activities

Cash burnway: the time until the cash runs out

Sources of revenue:

- bootstrapping
- External money
  - Equity financing/ Investment
    - Venture Capital
    - Family & friends
    - Business Angels
    - Etc.
  - Debt financing
    - bank
    - Family & friends
    - Etc.

Bootstrapping

Financing with own revenue without outside capital.

+ Ownership and control remain with founders, higher reward in potential IPO
- Have to generate cash flow early, hard to develop complex products due to limited resource. Slow to growth, difficult to pay own salary.

Equity Financing

Investors provides capital in exchange of ownership share.

+ No force payment, no risk of bankruptcy due to paying back. More investors could increase creditworth for future debt financing
- Shares are taken, less freedom in decision-making from founders. Buying back later will cost much more.

Debt Financing

+ Creditors has no control over the company. Can be cheaper than equity financing. Helps to think about financial planning due to the paybacks. Leverage effect on equity.

- Hard to get loan without collateral. Bankruptcy risk.

3F: Family, Friends and Fools

+ Easier access, larger time frame than debt financing. Usually with lower cost.
- Amount of money is limited. Risk of relational conflict

Subsidies

Government grants targeted to early ventures. Often linked to technology transfer and industry-specific programs. Normally, the money is free

Business Angels

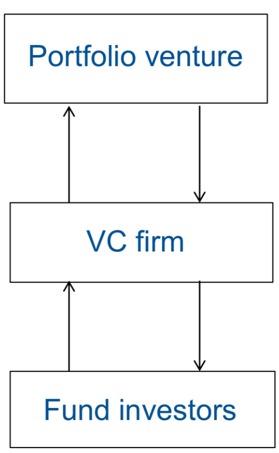
Wealthy individuals often with expertise and personal interest to some product. Early stage, typically 50k–500k. More flexible to invest and lower rate of return than VC.

Venture Capital

Equity capital for early start ups, usually also provides management support. Seed and early stage financing.

Risk reduction: portfolio diversity, specialization, several rounds (A, B, C), lead other co-investors.

Explicit goal to sell share within certain timeframe (IPO, trade sale..)
Typically invest in 20-30% share for 3-5 years targeted with return rate > 20%.
Normally out of 10: 1 star, 2-3 moderate, rest fail.
They are compensated by fund management fee and profit share



How do they benefit? There is a fixed (management fee) and variable (venture's performance) that balances.

collection of wealthy individuals or organization

Investment criteria: entrepreneurial team > product / idea, risk, strategy, market size

<u>Types of ventures:</u> 1. Incubator / Accelerator: organization that provides office, network, advice for up to 3-5 month for a share of 1-10%

2. Microfinance: uncolleteralized loans to people in poverty without access to finance. Entrepreneurs needs to repay loan and interest

3. P2P Lending: uncolleteralized loans from other individuals, screening process involves credit history of borrower.

4. Crowd-funding: collection of capital from a large group of people through online. Investors get compensation in forms of token of appretiation or equity.

Exit

Founders and investors can exit the company when the profit is high. Meaning multiplication of start-up value or high valuation of the start-up.
They sell their shares and leave the company as stakeholders.
Investors don't plan to invest in long term. They can reinvest after exit.
Founders get financial and legal independence

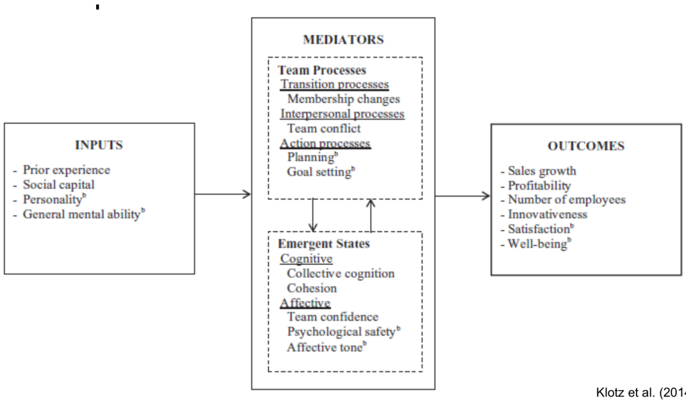
<u>Ways to exit</u>

1. Trade sale: sale start-up to other corporation
2. Leveraged buyout: sell company to an existing investor
3. IPO: ideal way to exist, only for successful start-up
4. Merge: merging with a competitor

Entrepreurial Team

Team: at least two individuals that takes active part in the creation and development.
Key role in strategic decision with usually more than 10% of equity ownership.
No individual can be specialist in everything, so multiple people working together is needed

Input - Mediator - Output Framework



Klotz et al. (2014)

Upper echelon perspective: focus on exploring relationship between team characteristic and business performance.

Leading entrepreneurial team: learn and adopt, lead by example, empathy, transfer of responsibility, belief in people, be honest.

Team composition: heterogeneity of competence is often beneficial, but homogenity in value and vision is crucial.

Weak ties team

Team based on competence and skills instead of relationship.
+ Flexibility in search for potential partner, maximize human capital.
- Incompatibility in value and vision, have to define relationship and potential transformation. Rules and roles to establish fairness and trust.

Strong ties team

+ Avoid relationship uncertainty, common value and firm culture.
- Learn to have fights (task conflict), potential change in role (due to incompetence) that might harm relationship

Team Charter

Part 1. Laying the foundations

what are your preferred work times, styles ... what are your strengths and weakness

Part 2. Team roles and expectations

What are your goals and visions, what is high/low performance for you.
How do you want to represent the firm to the outside.

Part 3. Contributions and reward

Who contributed what, how do you measure contributions. How do you ensure expected contribution.

Part 4. Future development

How to build up or integrate new competence. How could you break up.

Equity Distribution

It is the first deal, usually team split quickly and agree on equal split without longer discussion (which are emotional and stressful)

Backward orientation: prioritize past idea, capital already invested and opportunity cost (such as quitting previous job). More certain about contribution but not necessarily agreement

Forward orientation: focus on future. prioritize prior knowledge, patents, level of commitment and titles. "Normally 95% of work remains in the future"

Split earlier: attract people with equity incentive, time for calm negociation of distribution

Split later: contribution and commitment not clear at beginning. Future incentives. Business model and roles will form over time. No negociation needed before fundamental changes

Vesting Model

Helps in case of uncertain contribution to keep equity split fair over time because founders need to earn equity stakes based on time and milestone.
Advantages if team member leaves early (reallocation of equity) -> protection for all members.

Conflicts

Views:
1. Conflict reduces trust, cooperation and venture performance
2. Increase idea exchange, decision quality and venture performance

Causes:
1. Interpersonal incompatibilities: tension, animosity... (Relationship conflict)
2. Disagreement about tasks, viewpoints, ideas and opinions (Task conflict)

Managing conflicts:
1. Take breaks during discussion
2. Introduce rules
3. Know other attitudes and goals
4. Give regular feedback
5. Ask for advisor, mentor for neutral opinion.

Constructive communication reduces relationship conflict by allowing task conflicts.
↳ doesn't threaten, is timely, is specific, focus on performance..

Guest Lecture 6: Walding

Walding food: started with multiple grants. Double background of scientist + management help to get future investors.

Entrepreneurial Strategy

Some problem may arise due to newness in the area. Some examples can be found in cost of learning new tasks, overlap in team member's responsibility due to unmature framework.
But there are also benefits. Lack of predefined routines provides learning advantage. There are also more flexibility to adapt the changes from the environment.

Early and Late Mover

First-mover : + Less competition, opportunity to secure supplier and distribution channel
(eBay) - Technological and market uncertainty

Last-mover : + Refining is faster than inventing, reduced R&D cost, less uncertainty
(Google) - Customer might be loyal to first-mover, competition.

Imitation Strategy

Franchising → acquire the use of a "proven formula" for new entry from a franchisor
Copy already existing products and buil advantage through minor variation.

Entry Strategies

Narrow-scope strategy : offer a small product range to small number of customer groups to satisfy a particular need. Focus on high-end niche market which are usually highly profitable. Reduce competition with increased market uncertainty.

Broad-scope strategy : requires more resources as it tries to offer a broader range of products to more customer segments. Reduces risk associated to market uncertainty but increases competition → additional cost for things like advertising

Firm Size and Growth

Micro firm : < 10 ppl , annual turnover and balance sheet ≤ 2m €
Small firm : < 50 ppl ≤ 10m €
Medium-sized firm : < 250 ppl ≤ 50m € ≤ 43m €
Large firm : > 250 ppl > 50m € > 43m €
Rapid-growth firm : ≥ 10 ppl at start of observation , annual growth of > 20%
Gazelle : ≤ 5 years old ≥ 10 ppl , " over 3 years
Unicorn : valuated over 1b €

Growth process:

Creativity → Direction → Delegation → Coordination → Collaboration → Alliances

Creativity	Direction	Delegation	Coordination	Collaboration
Crisis of leadership	Crisis of autonomy (give autonomy to lower managers)	Crisis of control	Crisis of red tape (conflict between top and bottom)	Crisis of growth

Activities of Entrepreneurs

Start-up entrepreneurs: as a spider in its web, overlapping roles, focus on internal activities.

Growing entrepreneurs: shift supervisory roles to professionals, focus on both external and internal tasks (strategic management, supplier relationship, organizational development). Transform from dealing with customers to deal with employees

Ansoff Matrix

Penetration strategy: strategy to grow by encouraging customers to buy more of current products. → Marketing and taking market share from other competitors

Market Development strategy: grow by selling products to new group of customers. New geographic or demographic market. New product use (for new customer segments)

Product Development strategy: sell new products to people who are already purchasing firm's existing product. Capitalize on corporate reputation the firm has with current customers.

Diversification strategy: sell new product to new market.

manufacturing ← Backward (in the value chain), forward → retail channel or Horizontal integration (unrelated to value chain).

Internationalization

Some firms take more time to internationalize than others, for example BMW took 40 years to sell to the european market, in contrast to Logitech that took 4 months.

Some reasons can be found by the difference in time, back in 1960s the world was not that connected, communication and transportation was way harder.

Foreign market entry model (1960) : Sporadic export → regular export → sales subsidiary → production subsidiary

Born global model (1990) : Environment → increasing internationalized industries, advances in transport.
Product → high degree of specialization (shorter product life cycles), competitive advantage and product often standardize
Customers Market → niche segments, narrow market needs international growth
Management team → international background and mindset.

Entry Barriers

Institutional barriers : import tariff, local ownership restriction, local content clauses for foreign investment

Market-based barriers : personnel finding, customer preference for local brand.

Entry Attractiveness

Market volume, market growth, price structure, cost structure, infrastructure

Entry Modes

Exporting : sale and shipment of products to other countries.
+ small investment, small risk
- transportation cost

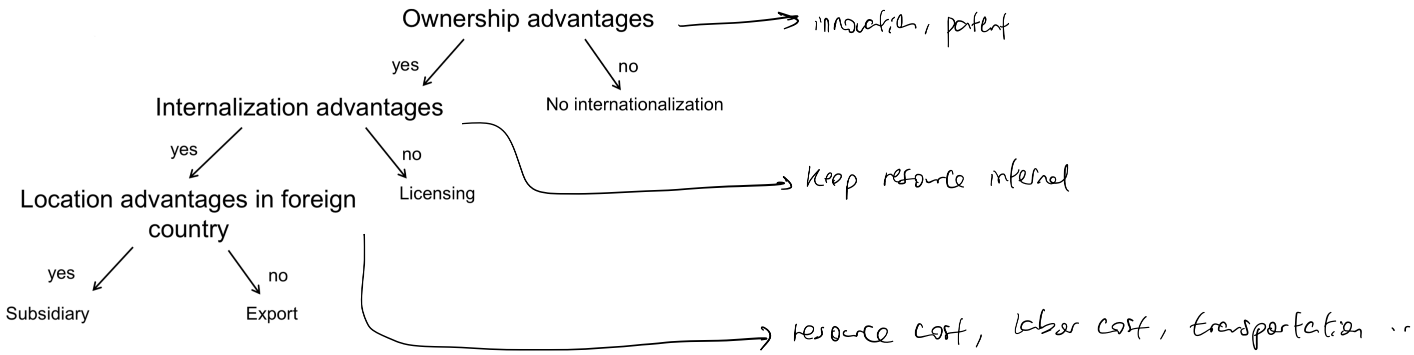
Licensing : give license to foreign manufacturer in return of royalty
+ small investment, no transportation cost
- lack of control over licensed product

Joint ventures : form new company with others
+ Access to local partner's knowledge, shared cost and risk
- No autonomous decision, coordination effort

Subsidiary : distinctive entities that are controlled by parent company
+ Protection of knowledge, autonomous decision
- high investment, high risks.

Eclectic Theory

Establish relationship between choice of market entry mode and certain advantages.



Guest Lecture 7: Seatti

Seatti: workplace sharing platform (~AirBnb). Seat - table - internet

Before Go-to-market (GTM): solve a real problem, have a complementary team, ask, test, try and understand your market

Actual GTM: go to market to know what the real problem is and ask experts to understand how to solve it. Then, pivot.
Be open to change your business model fast and frequently.

Sustainable Entrepreneurship

Human impact on environment = population × affluence × technology

Population : steady demographic increase
Affluence : avg. consumption per person (eg. GDP per capita)
Technology : how resource intensive the production of affluence is.

Origin of sustainability : 1713 wood in particular demand → only harvest as much as could grow

Sustainability : meeting "the need of the present without the ability of future generations to meet their own needs".
Companies should act in a way that secure long-term economic performance by avoiding short-term behavior that is socially or environmentally wasteful.

Tiple bottom-line approach : social (people), ecological (planet), economic (profit).

Sustainable entrepreneurship is the preservation of nature, life support and community in the pursuit of opportunities to bring into existence future products and services for profit.
In a sense that brings gain to people, society and economy.

Market Failure

Welfare loss for the individuals (Pareto inefficient).
Private Cost : cost incurred by the to produce some goods
Social cost : Private cost + cost incurred by society by a large

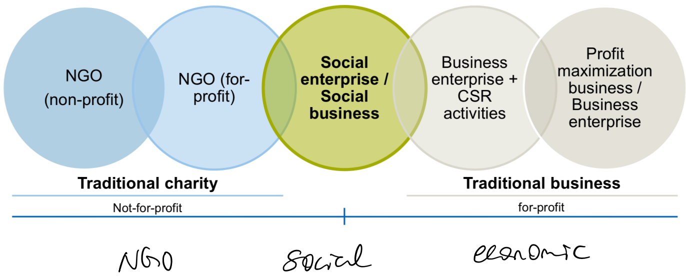
Environmental economic perspective : creates environmental damage.
Entrepreneurial opportunity perspective : imperfect competitive market as source of opportunity.
Two sources : 1. Exogenous shocks : altered demand or supply
2. Asymmetries in awareness : different individual preferences

Environmental entrepreneurship is the process of discovering, evaluating, and exploiting economic opportunities that are present in environmentally relevant market failures

Social Entrepreneurship

Activity that creates social value in an innovative way.
Key characteristics of social entrepreneurship :
1. Create and sustain social values
2. Pursue new opp. to serve social mission
3. A process of continuous innovation, adaptation ..
4. Acting without being limited by resources at hand
5. Accountable for the created outcomes

can be found in:



In contrast to NGOs, social business can invest the money raised for future social needs. But if they focus too much in maximizing the profit, then they will be classified as regular business, hence paying tax.

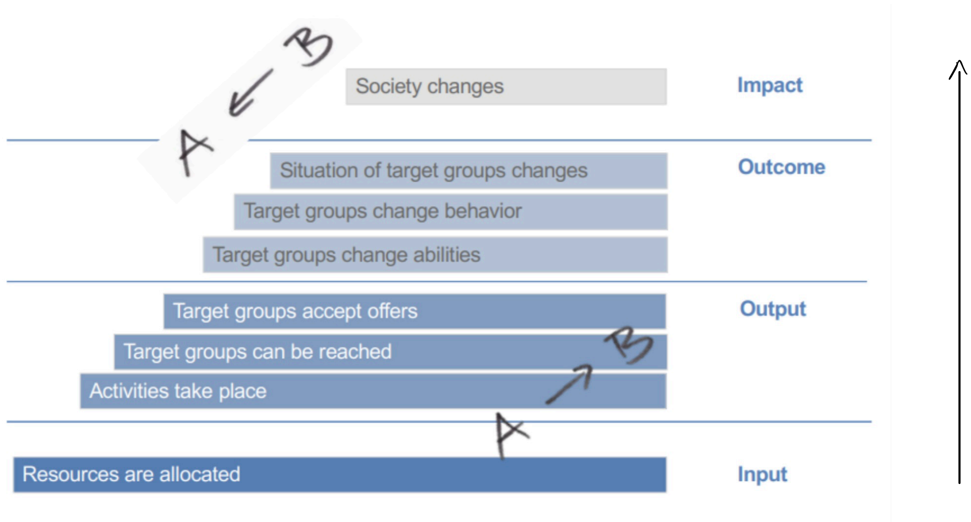
Social Business Model

1. Social by selling: focus on what they sell and to whom they sale. Demand
2. Social by sourcing: focus on how they make their products. Supply
3. Social by sharing: shares the profit with charities.

Types of Social Entrepreneurs

1. Social bricoleur: act on local needs with local resources.
2. Social constructionist: provide goods and services that government and business cannot.
3. Social engineers: create new and more effective social systems. Ex: microcredit

From investment to social impact



IOOI Framework

Ease of measurement: Input > Output > Outcome > Impact

# time	# affected people	knowledge, behavior	Environment, community

Social Bee

Every crisis is an opportunity. which leads to new ways of interaction to empower beneficiaries, flexible partners and an engaged team.
Understading social problem is first step, personal learning and execution second.
Have a common team purpose.