What is Silicon Valley?
Starts With Vision!

Vision → Strategy → Execution

Leadership
- Unobstructed support
- Social/business
- Open door for advocates
- Entrepreneurship strategy
- Urgency, crisis and challenge

Government
- Regulations
  - e.g., Investment, support
  - Financial support
  - e.g., R&D, Jump start funds
  - Regulatory framework
    - Incentives
    - e.g., Tax benefits

Financial Capital
- Microfinance
- Angel investors, friends and family
- Zero-stage venture capital

Supports
- Telecommunications
- Transportation & logistics
- Energy
- Zones, Incubation centers, clusters

Strategy
- Legal
- Accounting
- Investment bankers
- Technical experts, advisors

Business development
- Entrepreneurship
- promotion in non-profits
- Business plan contests
- Conferences
- Entrepreneur-friendly associations

Non-Government Institutions
- Venture capital funds
- Private equity
- Public capital markets
- Debt

Entrepreneurship
- Skilled and unskilled
- Serial entrepreneurs
- Inter-generational teams

Human Capital
- General degrees (professional and academic)
- Specific entrepreneurship training

Educational Institutions
- Infrastructure
- Entrepreneur’s networks
- Diaspora networks
- Multinational corporations

Networks
- Labor
- Skills and abilities
- Serial entrepreneurs
- Inter-generational teams


Note: See Built to Last and other similar books by Jim Collins.
Jim Collins’ Classic Entrepreneurship Model

**FIRST THINGS FIRST**
Assess Vision, Internal and External characteristics.

**IDEAS**
Product & Market Strategy

**TALENT**
Team & Culture

**CAPITAL**
Cash Flow & Venture Finance

**Managing Growth & Change**

**Access to resources**
**Capabilities of team**
**Innovation of novelty**
**Industry context**

**Talent**
**Processes**
Sheryl Sandberg
COO of Facebook

EXERCISE
V-I-E
Why the Lean Start-Up Changes Everything

by Steve Blank

Launching a new enterprise—whether it’s a tech start-up, a small business, or an initiative within a large corporation—has always been a hit-or-miss proposition. According to the decades-old formula, you write a business plan, pitch it to investors, assemble a team, introduce a product, and start selling as hard as you can. And somewhere in this sequence of events, you’ll probably suffer a fatal setback. The odds are not with you. As new research by Harvard Business School’s Bhuvan Ghosh shows, 70% of all start-ups fail.

But recently an important countervailing force has emerged, one that can make the process of starting a company less risky. It’s a methodology called the “lean start-up,” and it favors experimentation over elaborate planning, customer feedback over intuition, and iterative design over traditional “big design up front” development. Although the methodology is just a few years old, its concepts—such as “minimum viable product” and “pivoting”—have quickly taken root in the start-up world, and business schools have already begun adapting their curricula to teach them.

The lean start-up movement hasn’t gone totally mainstream, however, and we have yet to feel its full impact. In many ways it is roughly where the big data movement was five years ago—consisting mainly of a buzzword that’s not yet widely understood, whose implications companies are just beginning to grasp. But as its practices spread, they’re turning the conventional wisdom about entrepreneurship on its head. New ventures of all kinds are attempting to improve their chances of success by following its principles of failing fast and continually learning, and despite the methodology’s name, in the long term some of its biggest payoffs may be gained by the large companies that embrace it.

In this article I’ll offer a brief overview of lean start-up techniques and how they’ve evolved. Most important, I’ll explain how, in combination with other business trends, they could ignite a new entrepreneurial economy.

Lean Startup Methods
Moore's “Crossing the Chasm” Model for B2B

Customers want Technology and Performance

Customers want Solutions and Convenience

Relative % of Customers

INNOVATORS

EARLY ADOPTERS

EARLY MAJORITY

Tornado

Bowling Alley

Main Street

LATE MAJORITY

LAGGARDS

Source: Geoff Moore

Moore’s “Gears” for B2C

Enlistment

Acquisition

Traffic Eyeballs

HITS

Monetization

Engagement

Time on Site

Interactions

LIKING

Referral Contributions

SHARING

Advertising Retail

BUS MODEL

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Silicon Valley: Another Renaissance?

“No bankers, no renaissance.”

The Most Important Risk Right Now?

TEAM RISK

CAPITAL RISK

TECHNOLOGICAL RISK

MARKET RISK
Sources of Capital

- Decreasing Risk
- Increasing Investment Size

$100K

$1M

$100M

VC

IPO

Banks

Angels (Groups & Syndicates)

Gov't

FFF

Crowd

Profitability

Sales

Beta

Prototype

Business Plan

Idea

Increasing Investment Size

Opportunities & Capital

Bill Sahlman’s Classic Entrepreneurship Model

PEOPLE & RESOURCES

Experiences, Skill, Contacts, Attitude, Knowledge

CONTEXT

Macroeconomy, Tax, Regulatory, Socio-political

OPPORTUNITY

Entry Barriers, Customers, Suppliers, Substitutes, Rivalry, Economics

DEAL

Allocation of Risk and Reward, Incentives, Signals, Sorting, Consequences

Favorable Technology

Favorable Macroeconomy

Favorable Rules of the Game

Opportunity-Appropriate Knowing and Being Known

Appropriate Risk / Reward Allocation and Incentives

Investor Value Added

Favorable Sociological Factors
Models in E140A

- Seelig's Models, Blank's Lean Startup, Moore's Chasm
- Cialdini's Forces of Influence
- C&L’s VIE
- Sahlin's Concepts
- Managing Growth & Change
- Mullins & Komisar's Plan B, Kaplan's Startup Game, Osterwalder's Business Canvas

Cases in E140A

- IMVU, Documentum
- Cooliris, Roizen, Wily, Hess
- C&L’s VIE
- Managing Growth & Change
- CAPITAL Yahoo, Dropbox

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Startup Development Phases

**Ideation**
Potential scalable product/service idea for big enough target market. Some initial revenue models for how it would make money. One person OR only basic team, no confirmed commitment and/or no right skills balance in the team structure yet.

**Conceiving**
Having clear and meaningful target with clear direction for min. 3 years with milestones to get there, ~3, 6, 12, 24, 36 months. Having team of two or three core founding people with balanced ownership. Can also already have some extended team with lighter commitment (stock options and/or cash compensation).

**Commitment**
Committed & skills balanced founding team. Able to develop the product/service (Minimum Viable Product) without dependency of uncommitted external resources OR already have initial product/service developed. Have signed shareholder agreement between founders, with milestones, committed time and money usage, for min. 2+ years with vesting etc.

**Validation**
Can already show some user growth and/or revenue (initial traction). AND/OR continue to attract additional resources (money or sweat equity) for equity or future revenues. Looking for clear market validation (Product Market Fit), to be able to move into scaling.

**Scaling**
Showing clear, growing and measurable user/market traction in big or rapidly growing target market. Can and want to scale fast. AND/OR is able to attract significant funding.

**Establishing**
Achieved great growth, that can be expected to continue strong. No longer need to "try" get resources and can get those easily. Continue to grow and often wants to culturally continue behaving like a "startup" for as long as possible. Founders may exit or continue biz as usual.