

Project Erasmus

What is a Start-up

Today...

- **Introduction:**

- Definitions of startup, entrepreneurship, and entrepreneur
- Types of entrepreneurship
- Why startups usually fail?

What can make you interested in Entrepreneurship?

- You may have an idea that can change the world or improve an existing process you are familiar with
- You may have a technological breakthrough and want to capitalize on it (perhaps, by founding a *startup*)
- You may have a passion and want to learn about entrepreneurship while looking for a good idea, technology, and/or a partner

Why are you Interested in Entrepreneurship?

I have a
technological
breakthrough!



I have
an idea!



I have
a passion!



In any of these cases, at this stage you may want simply to uncover the world of startups and entrepreneurship. If so, let us get started!

What is a Startup?

- A startup is an **organization** designed to **innovate** a new product or service under conditions of extreme uncertainty (*“The Lean Startup”* by Eric Ries)
 - An **organization** encompasses mission, vision, strategy, hiring, accounting, finance, operations, etc.,
 - In this context, however, it operates under too much uncertainty, following *leap-of-faith assumptions* concerning its invention
 - **Innovation** = Invention × commercialization
 - This implies that having a product does not mean you have a business

The Single Condition for a Business

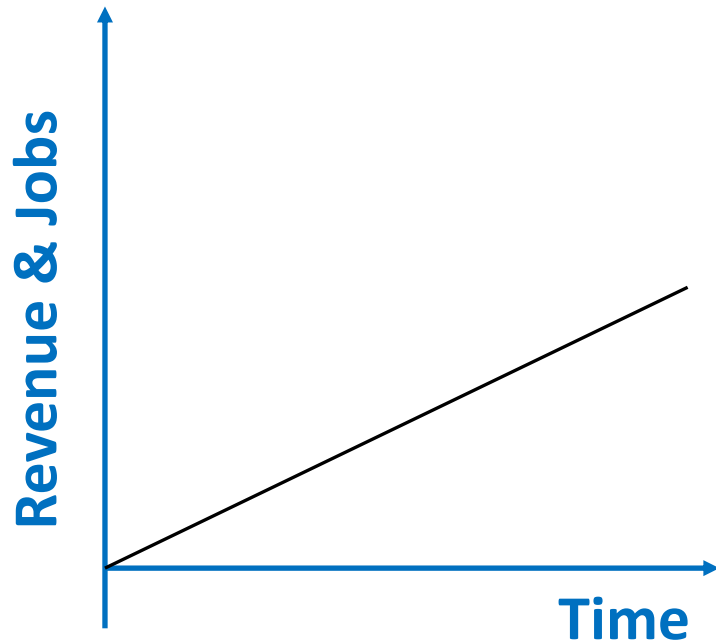
- The single necessary and sufficient condition for a business is *a paying customer*
- The day someone pays you money for your product or service, you have a business, and NOT the day before
- But, having a paying customer does not mean you have a *sustainable* business!
- To have a sustainable business, you need enough customers paying enough money within a reasonable amount of time

Entrepreneurship

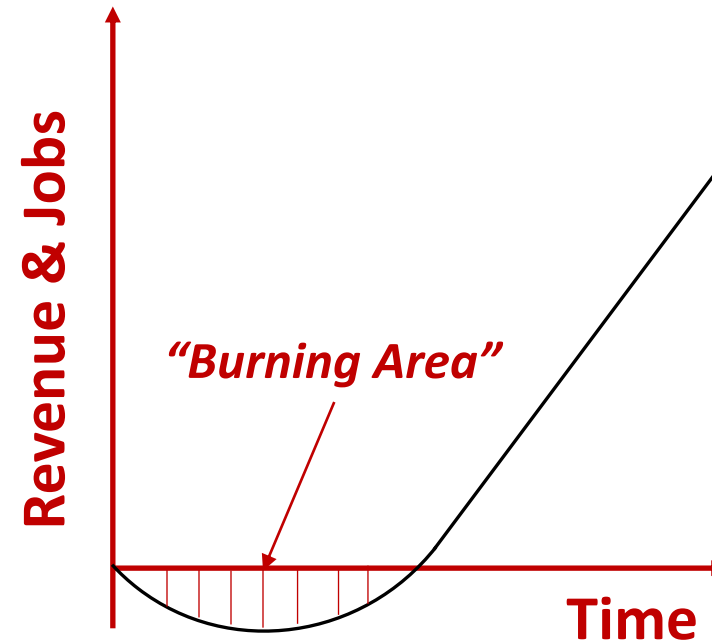
- Entrepreneurship is *the process* of creating a sustainable business
- There are two types of entrepreneurship
 - Small and Medium Enterprise (SME)
 - Innovation-Driven Enterprise (IDE)

	SME	IDE
Market	Local and/or Regional	Regional/Global
Invention	Not Necessary	Necessary
Jobs	Non-tradable	Tradable
External Capital	Typically No	Yes
Growth	Linear	Exponential

SME and IDE Expected Revenue & Job Trends

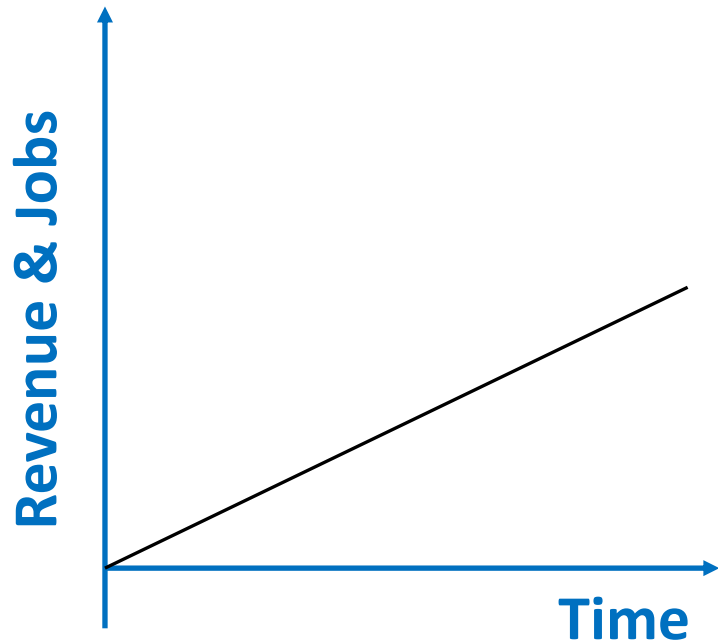


SME: Usually Not Risky

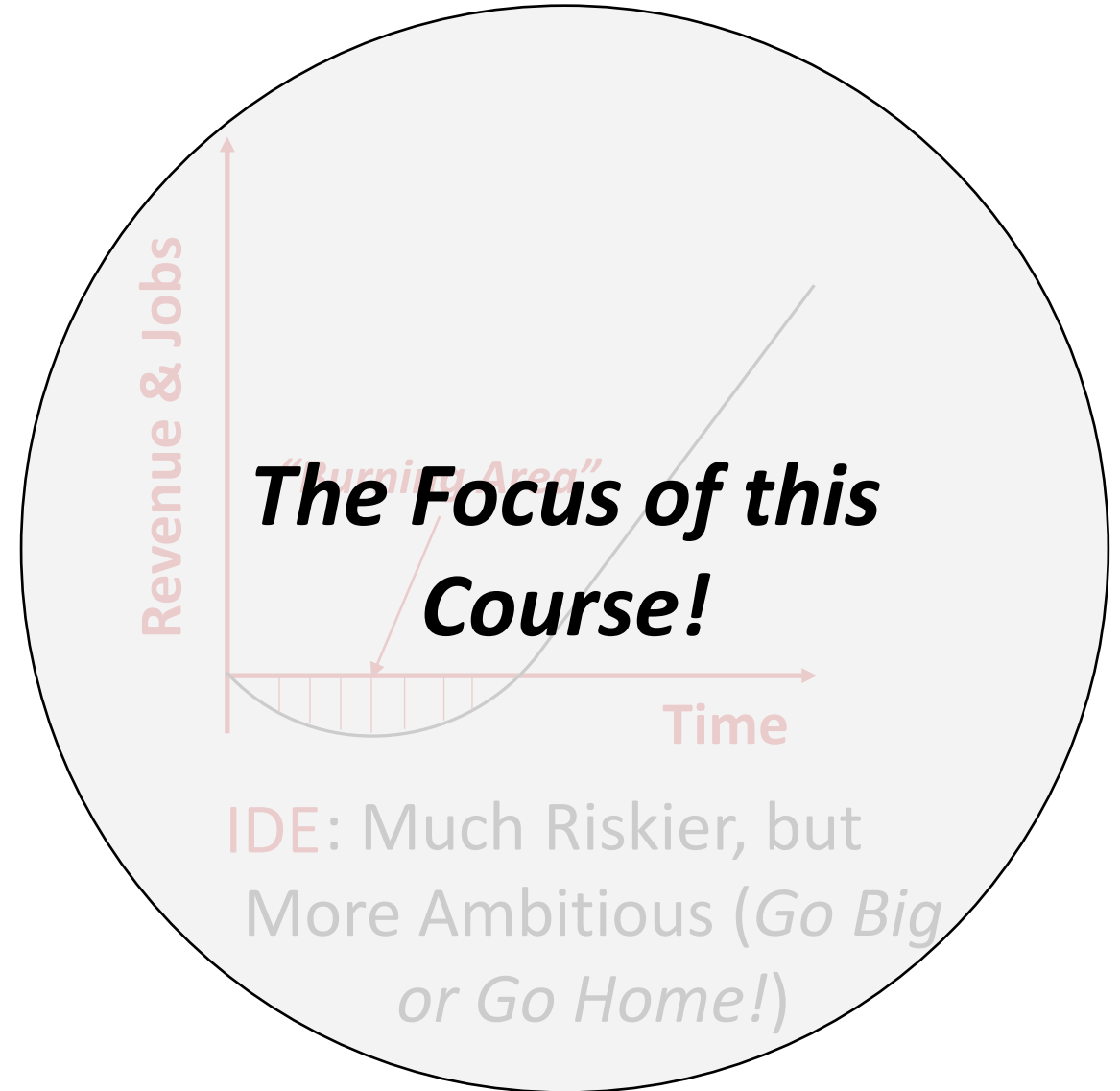


IDE: Much Riskier, but
More Ambitious (*Go Big
or Go Home!*)

SME and IDE Expected Revenue & Job Trends



SME: Usually Not Risky



Entrepreneurship vs. Management

- IDE entrepreneurship is a **special** kind of management
 - Entrepreneurship is cool, innovative, and exciting
 - Management is dull, serious, and bland
 - What is actually exciting is to see a startup succeed and change the world
 - This cannot happen without *managing* it rightly
 - The road to excitement passes through the (boring) management stuff!
- Why IDE entrepreneurship is a **special** kind of management?

Entrepreneurship vs. Management

- Why **special**?
 - Traditional business thinking suggests:
 - Perfecting a product, even if takes a great deal of time; hence, *long cycle times*
 - Large teams and hierarchical organizations
 - Failures are unacceptable
 - Modern business (or entrepreneurial) thinking suggests:
 - Building a minimum viable product (MVP); hence, *short cycle times*
 - Focusing on what customers want, thus experimenting tremendously
 - Failing as a prerequisite for success
 - Small teams and flat organizations

Schools of Thought in Entrepreneurship

- Three major schools of thought:

1. “Just Do It”

- Most entrepreneurs are wary of implementing traditional management practices, afraid that this will invite bureaucracy or stifle creativity
- They assume management is the problem, hence, chaos is the answer
- Unfortunately, this approach leads to chaos more often than it does to success

2. “Launch a Rocket Ship”

- Specify every single step to take in excruciating details (typically by tapping into a proven set of techniques used for managing big companies)
- Specify the expected result of every single step taken– what happens if a tiny error occurs? Can you adapt or pivot?

Schools of Thought in Entrepreneurship

- Three major schools of thought:

3. “Drive a Car”

- Set a (hypothetical) path to reach a destination (you are not sure whether this path will lead to the destination)
- Experiment with and validate your path
- Persevere, adapt, or even pivot if needed
 - If you are driving to work, do you give up if there is a detour in the road or you made a wrong turn?
 - No, you remain thoroughly focused on getting to your destination

The third school of thought is the recommended one!

Who is an Entrepreneur?

- Anyone who creates a startup is an entrepreneur
 - This implies that an entrepreneur should have a (strong) appetite of risk taking
- But an entrepreneur needs not create a startup; she/he can operate inside “established” organizations
 - This entrepreneur is typically referred to as “intrapreneur”
- In addition, an entrepreneur does not need to invent!
 - E.g., Steve Jobs identified the computer mouse created by Xerox PARC and commercialized it effectively through Apple
 - E.g., Larry Page and Sergey Brin used AdWords (which was created by Overture Services, Inc) on their search results pages

The Startup Realty

- The grim reality is that most startups fail
- There are five essential elements that lead to successful startups



IDEA



**TEAM &
Execution**



BUSINESS MODEL



FUNDING



TIMING

What Makes Startups Succeed?



Idea	Team	B M	Funding	Timing
10	9	8	6	10

Idea	Team	B M	Funding	Timing
8	9	5	4	9

Idea	Team	B M	Funding	Timing
8	10	7	7	10

Ranks over 10

Succeeded 😊






[Based on a study by IdeaLab]


What Makes Startups Succeed?




 friendster®

 kozmo.com

 webvan

Idea	Team	B M	Funding	Timing
				
8	5	4	6	6

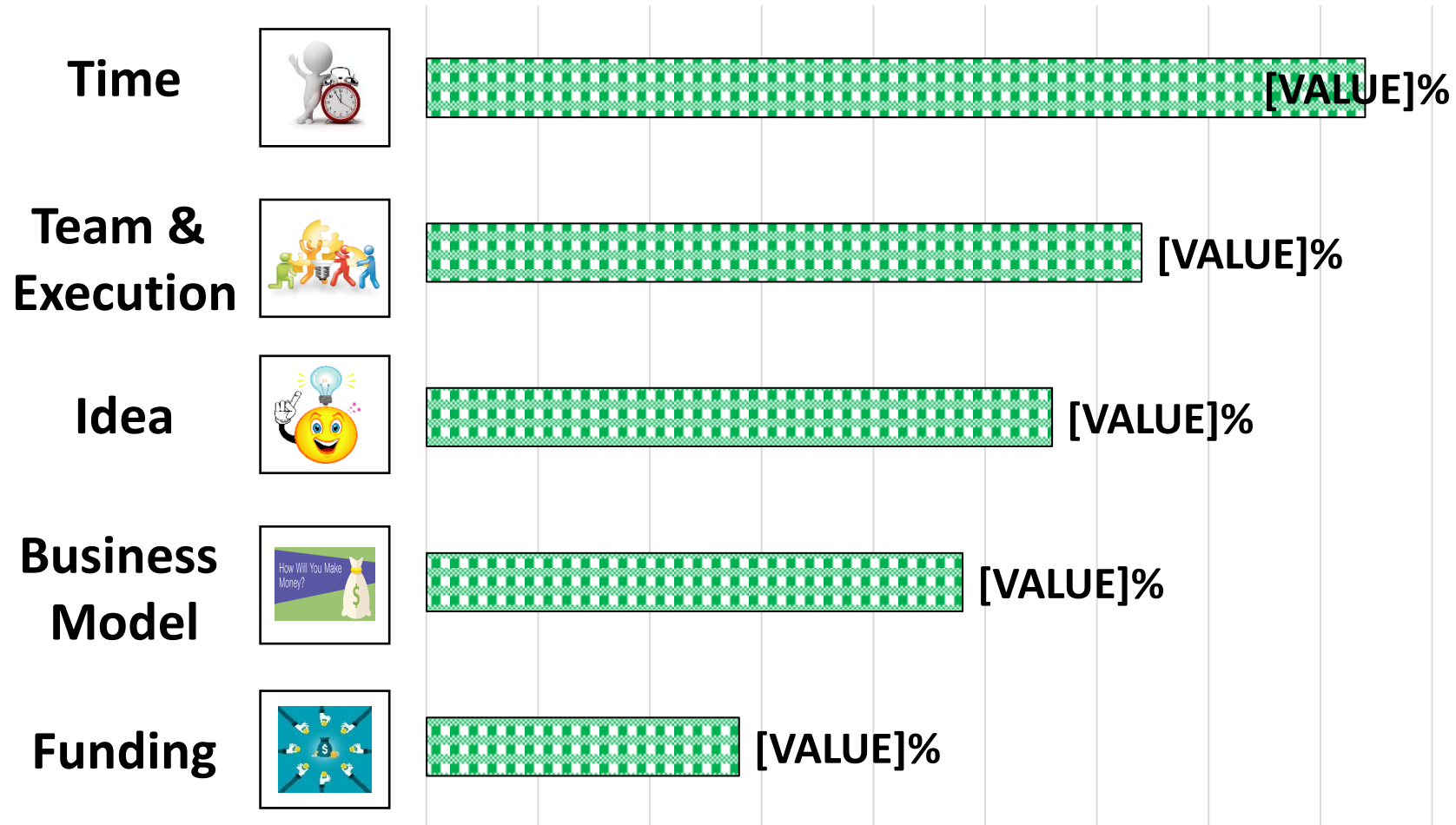
Idea	Team	B M	Funding	Timing
				
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Idea	Team	B M	Funding	Timing
				
4	5	6	10	4

Failed 

[Based on a study by IdeaLab]

What Makes Startups Succeed?

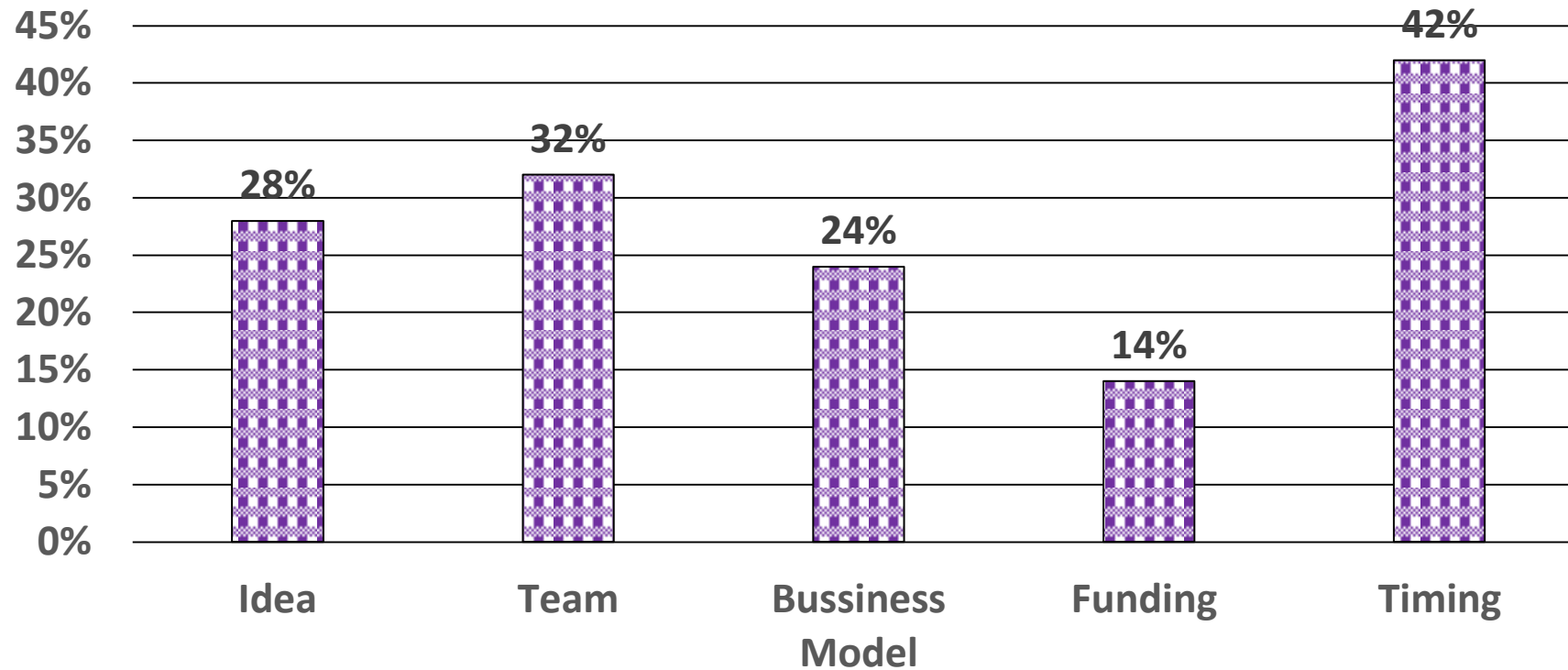


Factors of success across more than 200 companies

[Based on a study by IdeaLab]

What Makes Startups Succeed?

Factors In Success Across 200 Companies



[Based on a study by IdeaLab]