East Coast vs. West Coast: Comparing Lean Launchpad and Disciplined Entrepreneurship

March 4, 2016

Mike Panesis    Renee Rock
Agenda

- Historical Perspective
- Using DE in the Liberal Arts Classroom
- Comparing DE and LLP
- Reflections on teaching entrepreneurship— and what’s next
- Discussion
Historical Perspective
A long tradition...

West Coast

East Coast
This isn’t really new

Frank Robinson
Market Validation
1984
Evolution of Entrepreneurship Education

**Total VC Investment**
Source: PWC MoneyTree

![Graph showing total VC investment from 1995 to 2015. The x-axis represents years from 1995 to 2015, while the y-axis represents the number of deals and investment amount in billions. The graph shows peaks and troughs in VC investment over the years.](image-url)
Reality Check

• Most student startup ideas—esp undergrad—have significant flaws
• Most students won’t become entrepreneurs
• How do we serve the entire student body, not just those who want to be the next Gates/Jobs/Thiel/Musk/Zuckerberg?
• How keep the most enthusiastic entrepreneurs in school?
• How big a difference is there between being and living like an entrepreneur?
• Given the expansion of what we know about entrepreneurship, how do we expand the curriculum to fully prepare students for the real world?
Using DE in the Liberal Arts Classroom

Lessons Learned
Teaching Entrepreneurship as a Process

How

How should entrepreneurship be taught?

1. Open (common language & best tools)
2. Systems Approach (integrated & prescriptive)
3. Rigorous but Practical (mens et manus)

(Bill Aulet, MIT)
Process

• 24 Step process
• Come in with an idea
• Identify sooner rather than later that your idea is not a good one.
• Build a team
• Execution considerations
• Fund raising
• Scaling
Logical Flow of Course

- Idea
- Team
- Market
- Product
- Biz Model
- Execution
- Finance
- BP+

- Business Plan
- Scaling
- Presentation
- Financial Statements
- Investor Strategy & Pitch
- Go to Market
- Sales
- Marketing
- Where to Extract Rent
- Pricing
- Value Proposition
- Competitive Advantage
- Development Plans
- Segmentation
- Direct Validation
- Competition
- Team Composition
- Values
- Setting Expectations
- Generation
- Analysis
- Testing on Key Stakeholders
Assessing the Idea: Howard Anderson’s 27 Rules for Viability

1. Don’t worry; focus on process
2. Right can come from Wrong
3. Little Capital
4. Quick to generate Sales
5. Low break even
6. Does not require perfect execution
7. High Gross Margin products
8. Not require excellent management team
9. Identifiable customers
10. Reason marketing & sales costs
11. Avoid dominant buyer power
12. Intelligent customers
13. Avoid fads
14. Avoid requirement for global markets
15. Avoid dependence on OEM
16. Avoid dependence on Gov policy
17. Avoid simple extension of competitor
18. Avoid long lead time to succeed
19. Avoid soft dollar justification
20. Avoid complex DMP
21. Avoid markets where customer is not well funded
22. Avoid cross departmental sales
23. Select products with 4X+ benefit
24. Avoid Swiss Army Knives
25. Select doable sales metrics
26. Select where min process change
27. Select where can develop product family
6 Themes of 24 Steps

WHO IS YOUR CUSTOMER?

1. Market segmentation
2. Select a beachhead market
3. Build an end-user profile
4. Calculate the TAM size for the beachhead market
5. Profile the persona for the beachhead market
6. Identify your next customers
WHAT CAN YOU DO FOR YOUR CUSTOMER?

1. Full life cycle use case
2. High level product specification
3. Quantify the value proposition
4. Define your core
5. Chart your competitive position
6. Start here
HOW DOES YOUR CUSTOMER ACQUIRE YOUR PRODUCT?

12. Determine the Customer’s Decision Making Unit (DMU)
13. Map the process to acquire a paying customer
14. Map the sales process to acquire a customer
HOW DO YOU MAKE MONEY OFF YOUR PRODUCT?

15 Design a business model
16 Set your pricing framework
17 Calculate the lifetime value of an acquired customer (LTV)
19 Calculate the cost of customer acquisition (COCA)
HOW DO YOU DESIGN & BUILD YOUR PRODUCT?

- Identify key assumptions
- Test key assumptions
- Define the minimum viable business product (MVBP)
- Show that “the dogs will eat the dog food”
Teaching the Teachers: The MIT Global Entrepreneurship Bootcamp Experience

• “We don’t study entrepreneurs, we become entrepreneurs.”
• **Learn by doing**: Identify, organize and build a new enterprise in 5 days
• Demands hard work, long hours, little sleep, solid collaboration skills, discipline and creativity (rapid onboarding of entrepreneurial traits)
• Focus on diversity (50 entrepreneurs from 27 different countries, but **mostly men**)  
• Lectures from MIT faculty, entrepreneurs, VCs from Martin Trust Center for Entrepreneurship
• High tolerance for failure
• High tolerance for alcohol consumption
Comparing DE and LLP
Map DE Steps to Business Model Canvas

Key Partners
Who are your partners? What value do they bring to your company?

Market Size
1. Market Segmentation
2. Select a Beachhead Market
3. Calculate the TAM Size for the Beachhead Market
4. Calculate the TAM Size for Follow-on Markets

Competition
5. Profile the Persona for the Beachhead Market
6. Full Life Cycle Use Case
7. Identify Your Next 10 Customers
8. Map the Sales Process to Acquire a Customer

Key Activities
What activities do you need to perform to create value?

Metrics That Matter
17. Calculate the Lifetime Value (LTV) of an Acquired Customer
19. Calculate the Cost of Customer Acquisition (COCA)

Key Resources
What resources do you need to create value?

Scientific Method
20. Identify Key Assumptions
21. Test Key Assumptions

Value Propositions
What value do you offer to your customers?

Market Size
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Customer Relationships
What is the relationship with your customers?

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Cost Structure
What are the cost structures of your business model?

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Customer Segments
Who are your target customers?

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### Comparing LLP and DE

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<thead>
<tr>
<th>Category</th>
<th>Lean Launchpad</th>
<th>Disciplined Entrepreneurship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founder</td>
<td>Steve Blank</td>
<td>Bill Aulet</td>
</tr>
<tr>
<td>Founding Locations</td>
<td>Stanford &amp; UC Berkeley</td>
<td>MIT</td>
</tr>
<tr>
<td>Affiliated Programs</td>
<td>Innovation Corps – NSF Startup Next (originally)</td>
<td>MITx Bootcamp</td>
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<tr>
<td>Educator Seminar</td>
<td>LLP Educators Seminar</td>
<td>Entrepreneurship Educators Forum MITx Entrepreneurship Educators Seminar w/ Certification</td>
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<tr>
<td>MOOC Affiliation</td>
<td>Udacity</td>
<td>EdX</td>
</tr>
<tr>
<td>Support Apps</td>
<td>Launchpad Central</td>
<td>Disciplined Entrepreneurship Toolbox</td>
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Comparing LLP and DE

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<tr>
<td></td>
<td>No business plan survived first contact with the customer</td>
<td>More founders = better odds of success</td>
</tr>
<tr>
<td></td>
<td>A startup is not a smaller version of a large company.</td>
<td>Entrepreneurs need to be effective communicators, recruiters, and salespeople.</td>
</tr>
<tr>
<td></td>
<td>A startup is a search for a repeatable, sustainable business model</td>
<td>Entrepreneurship can be taught</td>
</tr>
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[83x61]Comparing LLP and DE

[268x86]Category

[201x270]Lean Launchpad

[218x454]More founders = better odds of success

[Entreprenuers need to be effective communicators, recruiters, and salespeople.]

[Entrepreneurship can be taught]
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<td>Innovation Catalyst</td>
<td>Market Pull</td>
<td>Technology Push</td>
</tr>
<tr>
<td>Engine</td>
<td>Scientific Method</td>
<td>24 Steps</td>
</tr>
<tr>
<td>Approach to Iteration</td>
<td>Fixed</td>
<td>Variable – repeat steps as needed</td>
</tr>
<tr>
<td>Central Framework</td>
<td>Business Model Canvas</td>
<td>6 Themes</td>
</tr>
<tr>
<td>Approach to Customer Engagement</td>
<td>Get out of the classroom/lab/office</td>
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<tr>
<td>First Step</td>
<td>Value proposition hypothesis</td>
<td>Market segmentation</td>
</tr>
<tr>
<td>Role of mentors</td>
<td>Critical, co-teach in classroom</td>
<td>Critical, co-teach in classroom MIT Mentor Network</td>
</tr>
<tr>
<td>Formation of student teams</td>
<td>Mixers &amp; info sessions six weeks prior</td>
<td>Entrepreneur type categorization</td>
</tr>
</tbody>
</table>
Conclusion: Both Work, because...

Early Customer Interaction

Mentor Engagement
Room for both in Entrepreneurship Minor

- 3 courses in sequence
- Each covers similar subjects
  - Entrepreneurial thinking
  - Customer discovery
  - Business model generation
  - Hypothesis testing
- Emphasis shifts
  1. Discovery
  2. Modeling
  3. Feasibility
  4. Realization
- Specialization (Electives)
  - Agile Product Development
  - Entrepreneurial Marketing & Selling
  - Entrepreneurial Finance
  - Legal Aspects of Entrepreneurship
  - Growth-Stage Venture Management
- Order of Use
  1. Aulet
  2. Blank
  3. Others
Reflections on teaching entrepreneurship – and what’s next
Going Forward: Finding the Right Fit

- **Segmentation**
  - Research all types of students enrolling entrepreneurship classes today

- **Personas**
  - Describe real representative samples from similar institutions (e.g. liberal arts colleges)

- **Needs**
  - Identify needs by persona

- **Design**
  - Flexibility, customization, rigor and quality

- **Delivery**
  - Multiple mechanisms for delivery (traditional, blended, online, consortium, partner institutions, competitions, co-curricular activities, advisory network/mentors)

- **Action**
  - Identify gaps (technical, engineering, business, arts etc.) collaboration, experimentation, open source teaching leading to best practices

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California Lutheran University
Mapping to Needs

Comprehensive Curriculum Tile Approach

Core Entrepreneurship Specific Skills:

"Nucleation" (Phase 1)
- Career Choice
- Ideation
- Team Building 1

"Product Definition" (Phase 2)
- Defining & Refining Product \( \Rightarrow \) Market Fit
- Primary Market Research
- Strategy

"Venture Development" (Phase 3)
- Key Founders' Decisions
- Basics of Finance
- Legal
- Customer Acquisition
- Sector Deep Dives
- Product Design
- Product Development
- Product Management
- Business Model & Pricing
- Scaling - Manufacturing
- Scaling: Process & Infrastructure
- Financing
- HR
- Leadership & Culture
- Work-Life Balance
- Corporate Entrepreneurship

Essential Skills for Entrepreneurs (Semi-Customized):
- Soft Skills
- Communications
- Dealing with Adversity
- Negotiations

General Skills Valuable to Entrepreneurs:
- Sales
- Project Management
- Corporate Strategy

* - An open framework built for constant refinement
Teaching Entrepreneurship as a Mindset

**Effectual Entrepreneurship**
- Principles of Effectual Entrepreneurship
  - How do entrepreneurs think?
  - What makes entrepreneurs entrepreneurial?
  - Causal (managerial) vs. effectual (entrepreneurial) thinking
  - Optimizing available resources: and committing the fewest resources to a new idea
  - Who I am
  - What I know
  - Who I know

Saras Sarasvathy, University of Virginia
Teaching Entrepreneurship as a Method that Requires Practice (Heidi Neck, Babson)

<table>
<thead>
<tr>
<th>Teaching entrepreneurship as a method</th>
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<tbody>
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<td>A set of practices (play, empathy, creation, experimentation, and reflection)</td>
</tr>
<tr>
<td>Phases of learning</td>
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<tr>
<td>Iterative</td>
</tr>
<tr>
<td>Creative</td>
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<tr>
<td>Action focus</td>
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<tr>
<td>Investment for learning</td>
</tr>
<tr>
<td>Collaborative</td>
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Discussion