

# These Choices Matter Together:



Intellectual Property Strategy



Architectural Strategy



Value Chain Strategy



Disruption Strategy

The two dimensions to the choice of competition - with whom to compete and how to compete - give rise to four classes of strategy that can, in turn, be used to guide you in your other choice domains.

Start with the choice of competition and use it as an anchor to formulate an Entrepreneurial Strategy. As you construct alternative strategies, continue to leverage the strategic alternatives identified in the choice exercises.



## INTELLECTUAL PROPERTY STRATEGY



### THE THINKERS

"Ideas Factory"



**DELIVER** value for **EXISTING** users



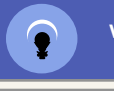
Develop **GENERAL COMPONENT** innovations



Orientation towards **COLLABORATION** and investment in **CONTROL**



Leverage **FUNCTIONAL RESOURCES**



**VENTURE CREATES VALUE** because its **COMPONENT INNOVATIONS** deliver value for **EXISTING** users



**VENTURE CAPTURES VALUE** because it **CONTROLS** a key **FUNCTIONAL RESOURCE**

CONTROL

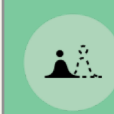


## ARCHITECTURAL STRATEGY



### THE BUILDERS

"Zero to One"



**DELIVER** value for **NEW** users



Develop **GENERAL SYSTEM** innovations



Orientation towards **COMPETITION** and investment in **CONTROL**



Leverage **INTEGRATED RESOURCES**



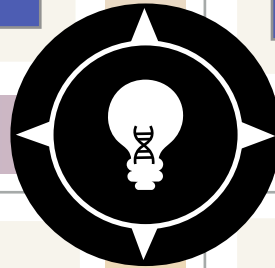
**VENTURE CREATES VALUE** because its **SYSTEM INNOVATIONS** deliver value for **NEW** users



**VENTURE CAPTURES VALUE** because it **CONTROLS** a key **INTEGRATED RESOURCE**

COLLABORATE

COMPETE



ORIENTATION



## VALUE CHAIN STRATEGY



### THE PARTNERS

"Core Competency"



**DISCOVER** value for **EXISTING** users



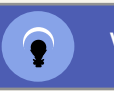
Develop **SPECIALIZED COMPONENT** innovations



Orientation towards **COLLABORATION** and investment in **EXECUTION**



Build **FUNCTIONAL CAPABILITIES**



**VENTURE CREATES VALUE** because its **COMPONENT INNOVATIONS** discover value for **EXISTING** users



**VENTURE CAPTURES VALUE** because it **EXECUTES** on key **FUNCTIONAL CAPABILITIES**

INVESTMENT

EXECUTION



## DISRUPTION STRATEGY



### THE HUSTLERS

"Creative Destruction"



**DISCOVER** value for **NEW** users



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 Idea


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 Advantage


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 Passion

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 Venture

 Strategy


 Business Model

 Customer


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 Technology

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 Competition

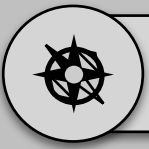
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 Organization

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 Value Creation Hypothesis

 Value Capture Hypothesis



# INTELLECTUAL PROPERTY STRATEGY

## THE THINKERS

"Ideas Factory"



### CUSTOMER

**DELIVER value for EXISTING users:**

Enhance value in a known way for existing players and their end users.

**E.g.** Dolby's technology would be licensed to KLH and ultimately reach KLH's end consumers through KLH's finished products.

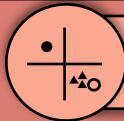


### TECHNOLOGY

**Develop GENERAL COMPONENT innovations:**

Leverage a modular technology with generalizable components that can be easily transferred and integrated into existing value chains.

**E.g.** Dolby invented a generalizable technology that could reduce background noise in audio recordings without quality reduction.



### COMPETITION

**Orientation towards COLLABORATION and Investment in CONTROL:**

Partner with incumbents or integrate into an existing value chain while maintaining control over the idea. Gain control through patents, trademarks, copyrights or trade secrets of a novel invention.

**E.g.** Dolby partnered with KLH and maintained control over the unique background noise reduction technology with patents.



### RESOURCES & CAPABILITIES

**Leverage FUNCTIONAL RESOURCES:**

Become the source of new inventions by building a team with talent in innovation, commercialization and IP management. Create an environment that will retain these team members. Occupy a position on the technology frontier and become a supplier of innovation and new standard.

**E.g.** Dolby was a PhD physicist and his skillset and insights led him to create Dolby Laboratories, an "idea factory" that could churn out new innovations in audio technology as the industry evolved.



### VALUE CREATION HYPOTHESIS

**VENTURE CREATES VALUE** because its **COMPONENT INNOVATIONS** deliver value for **EXISTING** users:

The venture will create value for existing end users by inventing and integrating innovations into preexisting value chains.

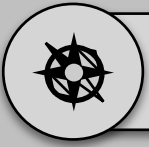


### VALUE CAPTURE HYPOTHESIS

**VENTURE CAPTURES VALUE** because it **CONTROLS** a key **FUNCTIONAL RESOURCE**:

The venture will capture value by developing a reputation for enforcing control over key functional resources and rationing access to secure bargaining power.

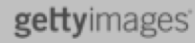




# INTELLECTUAL PROPERTY STRATEGY

## THE THINKERS

"Ideas Factory"



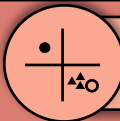
CUSTOMER

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TECHNOLOGY

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COMPETITION

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RESOURCES & CAPABILITIES

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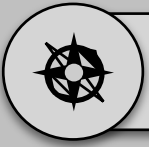
VALUE CREATION HYPOTHESIS

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VALUE CAPTURE HYPOTHESIS

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# ARCHITECTURAL STRATEGY

## THE BUILDERS

"Zero to One"



facebook.



airbnb



Bloomberg



### CUSTOMER

#### DELIVER value for NEW users:

Understand how to match specific stakeholders together to create and deliver value for all sides.

**E.g.** Bloomberg's new idea of computer terminals with proprietary software essential to trading and investing delivered value to traders, investors, brokers, and more financial market participants.

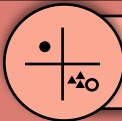


### TECHNOLOGY

#### Develop GENERAL SYSTEM innovations:

Develop either (1) a platform upon which others can build products or (2) a market intermediary.

**E.g.** Bloomberg computer terminals were a general system innovation that gave financial professionals access to news, analytics, secure messaging, and more.



### COMPETITION

#### Orientation towards COMPETITION and Investment in CONTROL:

Focus on architecting a new value chain that creates distinct value not currently provided in the economy. Leverage this value chain to compete. Control the unique, new value chain to ultimately lead and shape an emerging ecosystem.

**E.g.** Bloomberg created, controlled, and leveraged a new value chain to compete with traditional financial advisors and media providers.



### RESOURCES & CAPABILITIES

#### Leverage INTEGRATED RESOURCES:

Monitor the needs of key stakeholders who create value and provide investments complementary to those of others. Work to ultimately position the venture as a market hub.

**E.g.** Bloomberg's founding team was composed of former Wall Street traders who were familiar with the relevant stakeholders and their needs. The founding team leveraged these insights to create a platform for the investing community.



### VALUE CREATION HYPOTHESIS

#### VENTURE CREATES VALUE because its SYSTEM INNOVATIONS deliver value for NEW users:

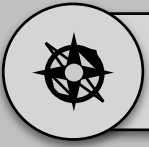
The venture will create value for new users by architecting a value chain that leverages interactions between complementary stakeholders.



### VALUE CAPTURE HYPOTHESIS

#### VENTURE CAPTURES VALUE because it CONTROLS a key INTEGRATED RESOURCE:

The venture will capture value by developing sustainable control over the value created by different stakeholders.



# ARCHITECTURAL STRATEGY

## THE BUILDERS

"Zero to One"



facebook.



airbnb



Bloomberg



CUSTOMER

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TECHNOLOGY

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COMPETITION

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RESOURCES & CAPABILITIES

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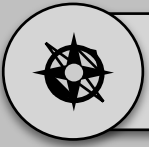
VALUE CREATION HYPOTHESIS

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VALUE CAPTURE HYPOTHESIS

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# VALUE CHAIN STRATEGY

## THE PARTNERS

“Core Competency”



FOXCONN

PayPal

madaket



STRATACOM



### CUSTOMER

#### DISCOVER value for EXISTING users:

Choose partners for whom you can enhance their value propositions and market power.

**E.g.** Foxconn focused on the development of capabilities in precision, low cost electronics manufacturing. This made Foxconn attractive for partnerships with companies like Atari in the early days. Low cost manufacturing capabilities made electronics more affordable and more appealing to Atari’s customers.

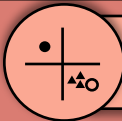


### TECHNOLOGY

#### Develop SPECIALIZED COMPONENT innovations:

Facilitate the integration of new technology into established technology systems.

**E.g.** Foxconn developed a specialized, precise, and dependable manufacturing process that could consistently supply electronic producers with essential components at low costs.



### COMPETITION

#### Orientation Towards COLLABORATION and Investment in EXECUTION:

Integrate into the existing value chain to create new value for existing users. Execute quickly to bring the best solution for a segment through an existing value chain.

**E.g.** Foxconn integrated its electronics manufacturing into existing electronic product value chains. Their low costs made them an ideal candidate for collaboration amongst value chain players and their quick, efficient production strategy kept the venture ahead of competitors.



### RESOURCES & CAPABILITIES

#### Build FUNCTIONAL CAPABILITIES:

Form tightly knit teams with unique capabilities. Ensure that in competitive selection, you have priority in negotiations with existing value chain players.

**E.g.** Foxconn’s capabilities in precision electronics manufacturing at low costs gave the venture priority with existing value chain players. Ultimately, Foxconn grew to account for 40% of global electronics manufacturing.



### VALUE CREATION HYPOTHESIS

#### VENTURE CREATES VALUE because its COMPONENT INNOVATIONS deliver value for EXISTING users:

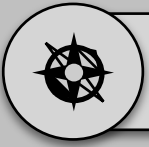
The venture will create value for existing users and other value chain players by becoming a unique, vital link in the value chain.



### VALUE CAPTURE HYPOTHESIS

#### VENTURE CAPTURES VALUE because it EXECUTES on key FUNCTIONAL CAPABILITIES:

The venture will capture value by executing on key functional capabilities that can be leveraged over value chain partners.



# VALUE CHAIN STRATEGY

## THE PARTNERS

*"Core Competency"*



FOXCONN

PayPal

madaket



STRATACOM



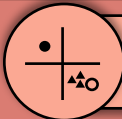
CUSTOMER

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TECHNOLOGY

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COMPETITION

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RESOURCES &  
CAPABILITIES

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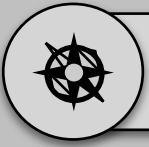
VALUE CREATION  
HYPOTHESIS

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VALUE CAPTURE  
HYPOTHESIS

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# DISRUPTION STRATEGY

## THE HUSTLERS

“Creative Destruction”



NETFLIX

WARBY PARKER



ZIPCAR



### CUSTOMER

#### DISCOVER value for NEW users:

Focus on customer segments that are currently poorly served due to small size or niche demands.

**E.g.** Warby Parker targeted hip, socially-conscious yet budget-constrained students and young professionals. This was a customer segment that major eyeglasses retailers neglected.

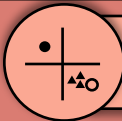


### TECHNOLOGY

#### Develop SPECIALIZED SYSTEM innovations:

Choose nascent technology that requires customer input and iterative improvement.

**E.g.** Warby Parker leveraged its development of an efficient, low cost global supply chain that produced high quality, yet affordable eyeglasses. Customers could easily select and purchase these products using the venture’s online retail technology.



### COMPETITION

#### Orientation towards COMPETITION and Investment in EXECUTION:

Engage in lean experimentation and leverage the venture’s relatively small size to outrun and outperform incumbents in a specific area. Execute quickly and be fast to market to avoid rapid incumbent response.

**E.g.** The Warby Parker team’s fast pace, dedication to learning through execution, and focus on serving a neglected market in the eyeglasses industry helped the venture avoid major responses from traditional eyeglasses retailers like Luxottica.



### RESOURCES & CAPABILITIES

#### Build INTEGRATED CAPABILITIES:

Set up information gathering systems that allow for iterative product design changes to obtain continual, fast-paced growth. Leverage local talent with low acquisition costs and employees that can be attracted with minimal upfront cash.

**E.g.** The team drew on prior experience in the eyeglasses industry to conceptualize and design a new, efficient supply chain that created a more affordable product.



### VALUE CREATION HYPOTHESIS

**VENTURE CREATES VALUE** because its **SYSTEM INNOVATIONS** deliver value for **NEW users**:

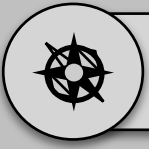
The venture will create value for new users by developing a new value chain with a rate of improvement that likely outperforms existing chains.



### VALUE CAPTURE HYPOTHESIS

**VENTURE CAPTURES VALUE** because it **CONTROLS** a key **INTEGRATED RESOURCE**:

The venture will capture value by achieving customer growth without an active and focused response from incumbents.



# DISRUPTION STRATEGY

## THE HUSTLERS

*"Creative Destruction"*



NETFLIX

WARBY PARKER



ZIPCAR



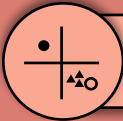
CUSTOMER

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TECHNOLOGY

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COMPETITION

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RESOURCES &  
CAPABILITIES

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VALUE CREATION  
HYPOTHESIS

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VALUE CAPTURE  
HYPOTHESIS

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# Putting Entrepreneurial Strategy to Work:

Choosing Your Strategy

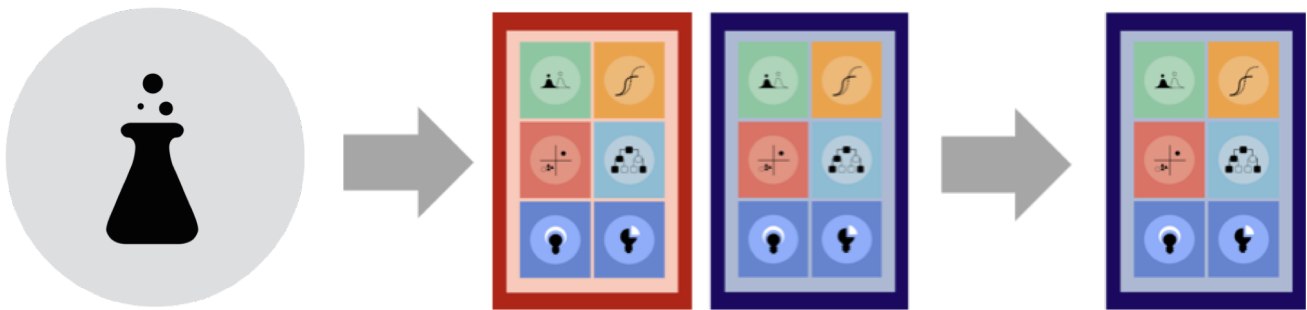
Choosing Your Financing

Choosing Your Scaling and  
Beyond Entrepreneurial  
Strategy





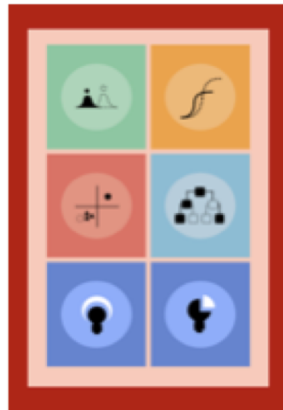
# Test Two, Choose One




Using the following process, conduct a structured analysis of two alternative entrepreneurial strategies, propose a test to choose between them, and determine an appropriate path forward,

1. Outline **Entrepreneurial Strategy A** for the venture on the entrepreneurial strategy canvas. Articulate the linkages between the choices of customer, technology, resources and capabilities, and competition. Evaluate the key hypotheses and the viability of the strategy.
2. Repeat the process for **Entrepreneurial Strategy B**, an alternative but potentially viable entrepreneurial strategy with value creation and/or value capture hypotheses that differ from *Entrepreneurial Strategy A*.
3. Evaluate how these two strategies are different from each other and propose an experiment that would allow you to choose one.


# ***Entrepreneurial Strategy A***




Outline ***Entrepreneurial Strategy A*** for the venture on the entrepreneurial strategy canvas. Articulate the linkages between the choices of customer, technology, resources and capabilities, and competition. Evaluate the key hypotheses and the viability of the strategy.

 Idea


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 Advantage


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 Passion

[Empty box for notes]


 Venture [Empty box]

 Strategy [Empty box]


 Business Model [Empty box]

 Customer


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 Technology

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 Competition

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 Organization

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 Value Creation Hypothesis [Empty box]

 Value Capture Hypothesis [Empty box]



## Coherence

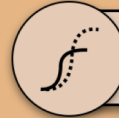
What **must be true** about customers, technology, organization, and/or competitors for the value creation and value capture hypotheses to be true? How do these choices **reinforce** each other?

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_



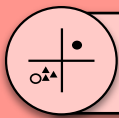
### Customer

The venture's competitive position will assist in creating value for target end consumers because...



### Technology

The venture's core technology facilitates value creation for the target customer because...



### Competition

The team's unique resources and / or capabilities provide the basis for capturing value through partnerships and/or competition because...



### Organization

To capture value from the venture's core technology, the founders and early team must acquire / build the following resource /capabilities...



## Strengths & Weaknesses

Major strengths and areas of consistency with this entrepreneurial strategy include...

Potential weaknesses and areas of doubt with this entrepreneurial strategy are...



## Experimentation

Given the critical assumptions underlying the strategy, brainstorm three low-commitment experiments that could facilitate learning. Then, weigh the opportunity costs associated with conducting each experiment.

<b>Criticality:</b> Rank the key assumptions underlying the strategy	<b>Fidelity:</b> Briefly describe an experiment to learn more about each assumption. Highlight how the outcome will inform decision-making.	<b>Opportunity Costs:</b> Identify & weigh the opportunity costs of each experiment
1.		
2.		
3.		



## Implementation

What two or three concrete actions could the founders take to develop the idea or increase their hypotheses' likelihood of being true?



## Viability


Overall, do you believe this strategy is potentially viable?

What critical assumption(s) is/are unlikely to be effectively tested through low-commitment experimentation?


# ***Entrepreneurial Strategy B***




Repeat the process for ***Entrepreneurial Strategy B***, an alternative but potentially viable entrepreneurial strategy with value creation and/or value capture hypotheses that differ from *Entrepreneurial Strategy A*.

 Idea


[Empty box for notes]


 Advantage


[Empty box for notes]


 Passion

[Empty box for notes]


 Venture [Empty box]

 Strategy [Empty box]


 Business Model [Empty box]

 Customer


[Empty box for notes]

 Technology

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 Competition

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 Organization

[Empty box for notes]

 Value Creation Hypothesis [Empty box]

 Value Capture Hypothesis [Empty box]



## Coherence

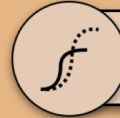
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- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_



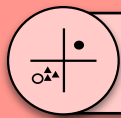
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# Implementation

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# Viability

Overall, do you believe this strategy is potentially viable?


























What critical assumption(s) is/are unlikely to be effectively tested through low-commitment experimentation?

# *Compare, Test, and Choose!*



Evaluate how these two strategies are different from each other and propose an experiment that would allow you to *choose one*.

# TEST TWO, CHOOSE ONE SUMMARY

<p>Idea </p>	<p>Advantage </p>	<p>Passion </p>	
<p>Strategy </p>	<p>Strategy </p>	<p>Strategy </p>	
<p>Tradeoffs </p>	<p>Technology </p>	<p>Technology </p>	<p>Tradeoffs </p>
<p>Customer </p>	<p>Customer </p>	<p>Customer </p>	
<p>Resources &amp; Capabilities </p>	<p>Resources &amp; Capabilities </p>	<p>Resources &amp; Capabilities </p>	
<p>Value Creation Hypothesis </p>	<p>Value Creation Hypothesis </p>	<p>Value Creation Hypothesis </p>	
<p>Value Capture Hypothesis </p>	<p>Value Capture Hypothesis </p>	<p>Value Capture Hypothesis </p>	
<p>Experimentation </p>	<p>Experimentation </p>	<p>Experimentation </p>	



## Compare

What are the key differences between these strategies? Why can't the entrepreneurs do both at the same time? What will they learn about in one strategy but not in the other (and vice versa)?



## Test

What test could the founding team run to choose between these alternatives?  
Does doing one or the other impose costs on pivoting?



## Choose One!

Now it is time to choose.

Between the two strategies, which strategy helps the entrepreneur(s) achieve their broader reasons for becoming an entrepreneur (i.e., entrepreneurial passion) and leverages their experience (“unfair advantage”)?

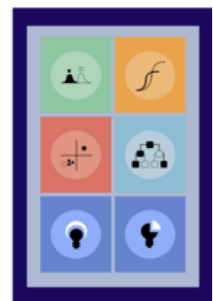
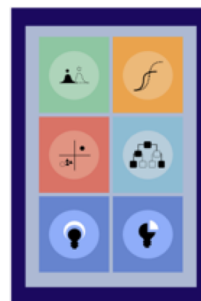
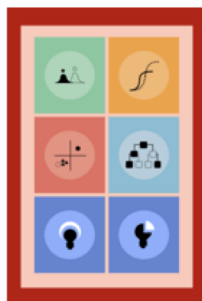
Which strategy is the most straightforward to implement and allows the entrepreneur to “just do it”?

Is it *really* time to choose? Not necessarily...

Now that you have decided between *Entrepreneurial Strategy A* and B as your preferred approach, develop a *Entrepreneurial Strategy C*.

Continue iterating new strategies and choosing between them until you have developed two approaches that are equally viable in your estimation. At this point, stop!

Choose the Strategy that satisfies your priorities and move forward!





# Guide to Financing

1

## EXPERIMENTATION FUNDING Identify Potential Funding Sources

List potential sources of funding for early-stage exploration that are available in your ecosystem (i.e., university programs, government grants)

- 
- 
- 
- 
- 

Rank funding sources based on their ability to facilitate learning and exploration.

Program or Funding Sources	Aside from financing, what (if any) resources will this funding source provide to facilitate experimentation and learning?	Briefly describe the application process and any commitments involved.

Are any funding sources more challenging to acquire than others? Why is this the case?



# Guide to Financing

2

## PROPOSED STRATEGY FUNDING

Identify Potential Capital Sources

Determine the key milestones that the venture is working towards within the next 18 months. Then, identify the critical resources and capabilities necessary to achieve that milestone and approximate associated costs.

Milestone	Critical Resources and Capabilities Required	Estimated Cost

### Bootstrapping / Internal Funding

How could the startup potentially bootstrap while implementing the chosen strategy?

### Loans / Debt

What opportunities exist to take loans or raise debt within the proposed strategy?

### Grants, Incubators, and Accelerators

List potential grants, incubators, and/or accelerator programs and identify the value they can provide the startup. Then, briefly describe the application process and evaluate commitments associated with the program.

Grant, Incubator, or Accelerator Program	Aside from financing, what resources will this program provide that will assist the startup in realizing its chosen strategy?	Briefly describe the application process and any commitments involved.



# Guide to Financing

## Angels and Venture Capital

List potential angels and venture capital firms and identify the value they can provide the startup. Then, evaluate how closely the startup aligns with the characteristics of the investors' past investments.

Angel or VC	Aside from financing, what resources will this investor provide that will assist the startup in realizing its chosen strategy?	What sectors, stages, and/or benchmarks does this investor prioritize?

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### CONSIDERING ALTERNATIVES

Assess Potential Capital Sources Based on Proposed Strategy

What funding alternatives give the strategy the highest likelihood of success? Briefly explain your reasoning.

What funding alternatives are most aligned with the founding team's values and goals? Briefly explain your reasoning.





## Scaling & Evolution of the Firm

Given your chosen strategy, what steps will be critical for growth?  
What are the likely challenges to scaling?

How might early choices shape the evolution of the venture?  
What are the next steps in the evolution of the firm?

# Congratulations!

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