

# Lecture 1:

## Q1 Explain the relationship between the type of business opportunity and the cash need (+ related implications)

We can consider 2 types of business opportunities, Market Pull & Technology Push. Market pull is problem oriented, problem from the market will be solved by the entrepreneur. Technology push has the exact opposite meaning, The entrepreneur comes up with a solution for a problem that he/she needs to find. The cash need can be depicted in following graph where cashflow over time is visualized.



- Cash Burning period
- MP has a faster market cycle
- TP Long term revenues
- TP most likely to be in need of external funding (BA, VC,...)

## Q2 Describe the concept “business model” and link it to examples

A business model is the architecture of the firm's value creation, delivery and capturing mechanisms.

Course example was Evernote “Your external brain”

- Value Creation: A service to keep all your documents, thoughts, invoices,...
- Value Delivery: On any device accessible (Mac, Windows, IOS, ...)
- Value Capturing: Freemium model (Free to use / Premium model of \$5 for extra features)

## Q3 Explain why entrepreneurs have to test the assumptions of their business model. Use insights from the case Genappeal to support your answer

Genappeal is a company that matches people like tinder but based on their DNA to generate their ideal match/Perfect partner.

They made their assumption on the market size where 12% of population was single, accumulating to a whopping 44 million people in EU. But the price was \$250 per subscription, it almost immediately eliminated all the youngsters because they have an Insufficient WTP. So the Market size is totally different. => BM isn't viable anymore

A business model is always based on assumptions and never on certainties, therefore thorough testing is advised to avoid huge problems once it is too late to adapt your BM.

Market Segmentation & Market Engagement

**Q4 Explain why business models often fail in rapidly changing environments. Use insights from the case Mobile Internet startup to support your answer**

Business models fail in rapidly changing environments because they are not able to make a transition fast enough, often related to the investors as the source of rigidity. In the Mobile Internet case the Venture Capitalist was the problem. A VC invests in a specific BM, They are not keen on a change of this plan.

When apple came up with the app store, the market of MI disappeared overnight. They needed to go from a technology provider to a product provider. They tried to convince their VC to restructure their BM but it took them 12 months to convince the VC.

## Lecture 2:

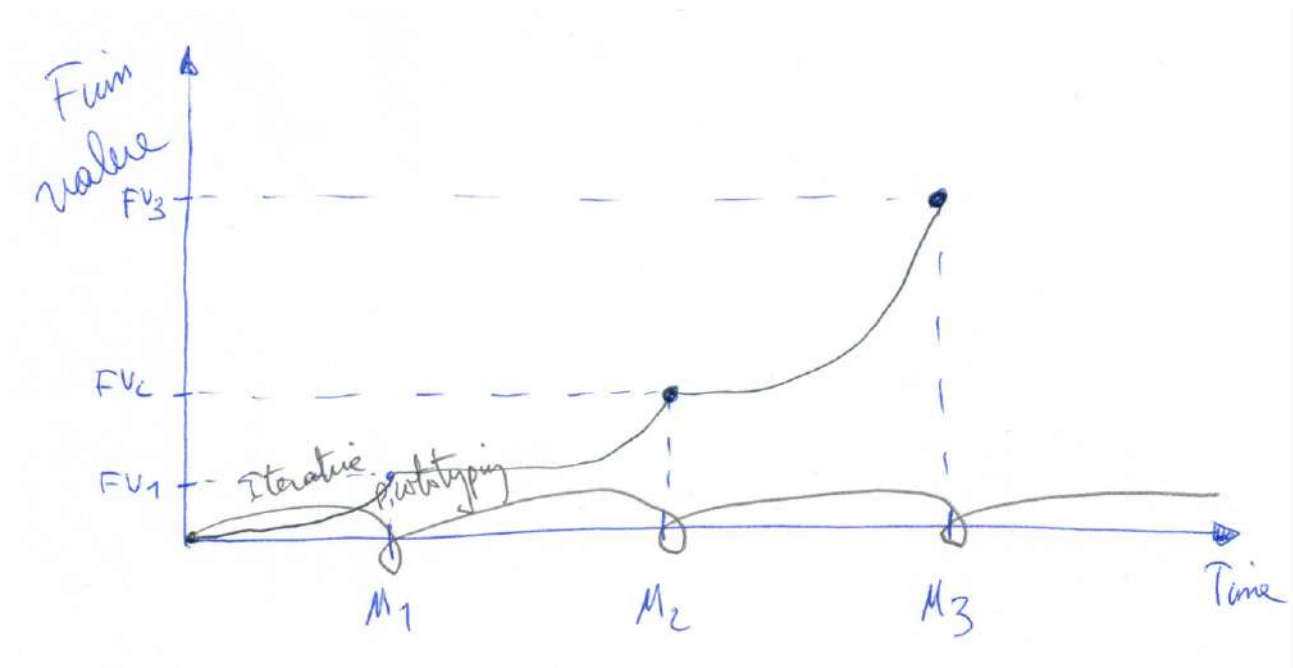
**Q1 Describe why early market engagement is important for startups, use insights from the case Boo.com to illustrate your answer**

Market engagement is important because of feedback from their customers and eliminate problems. This gives startups time to perfect their product in an iterative process before launching in one time. They create so called feedback loops. boo.com did not engage with their market and also didn't test their services beforehand. On launch (which was postponed resulting to a launch-marketing mismatch) they encountered several problems which should have been prevented in earlier stages. Ex. High speed internet connection? 18 different counties? Miss Boo? Even get access? ...

Key Complimentary asset was High speed internet

**Q2 Explain the product development approach of Netscape Navigator/Myo and link it to the LSU method**

They had a total of 6 prototypes in the time span of 6 months, each prototype being an improvement on the previous one by the feedback they had received from their testing.



**Q3 Describe the 3 key principles of the LSU method and discuss why some entrepreneurs still prefer to operate in stealth mode**

- 1) On Day 1 => Series of assumptions/ hypotheses (100% off BM is based upon assumpt.)
  - 2) Minimum Viable Product to these hypotheses => What learning do you seek?
  - 3) Approach based on Build-Measure-Learn Cycles
- > Test assumptions fast, gives you the ability pivot if needed.

Why stealth?

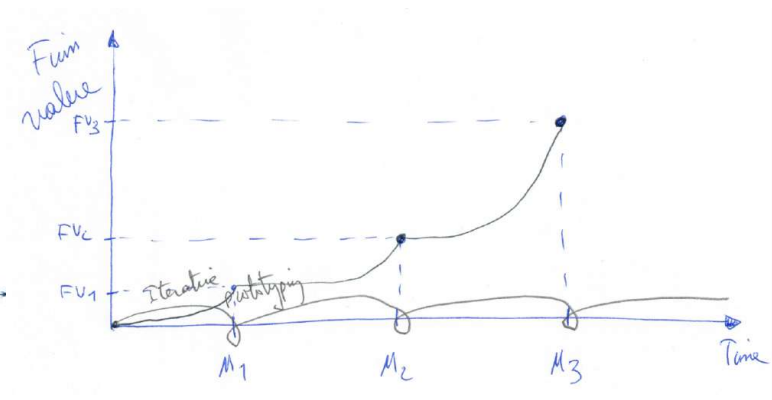
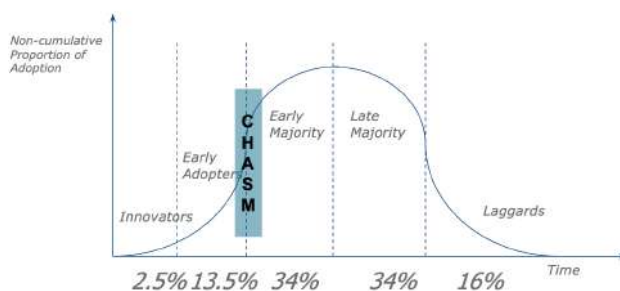
- Protects IP
- Anonymous until ready
- In control of press
- Prevents alerting competition

**Q4 Describe the # mechanisms to seek evidence and illustrate with examples**

- Analogs / Antilogs
    - Evidence of something that has worked/failed elsewhere, transposed to another context.
  - Interviews
    - Open ended questions
    - Problem vs solution interviews
    - LISTEN not Selling
    - \* Surveys are always almost wrong, because they start from your own theoretical frame
    - First Problem -> solution
  - Set up Experiments
    - Test Minimum Viable Products with Early adopters.
    - Track what you learn, implement feedback
- > In the case of failure, you pivot

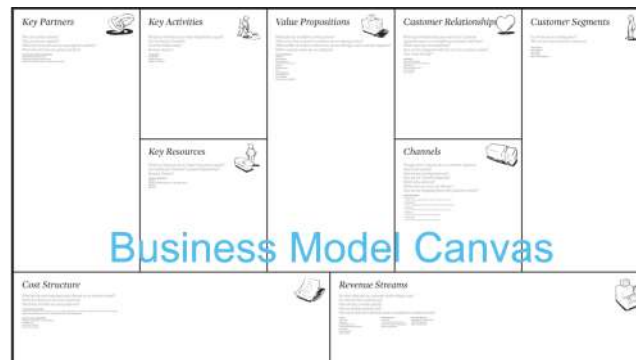
**Q5 Explain how the LSU-method is related to the concept crossing the chasm and firm value creation over time**

If you listen to your early market and make sure to perfect your product in this stage, it will clearly help to increase your chances in crossing this so called CHASM and enter the mainstream market.



## Lecture 3:

**Q1 Describe the business model canvas and the 9 building blocks. Use a figure to support your answer**



**Customer Segments:** The different groups of people or organizations your organization aims to help with getting a job done.

**Value Propositions:** Describes the bundle of products and services that create value for a specific customer segment.

**Channels:** Outlines the customer touch points through which an organization interacts with each of its customer segments to communicate and deliver a value proposition.

**Customer Relationships:** Describes how an organization's gets, keeps and grows each customer segment and what type of relationships it entertains with them.

**Revenue streams:** Represents the type of revenue an organization generates from each customer segment for a specific value proposition.

**Key Resources:** Describes the most important assets required to make a business model work.

**Key activities:** Describes the most important things a company must perform to make its business model work.

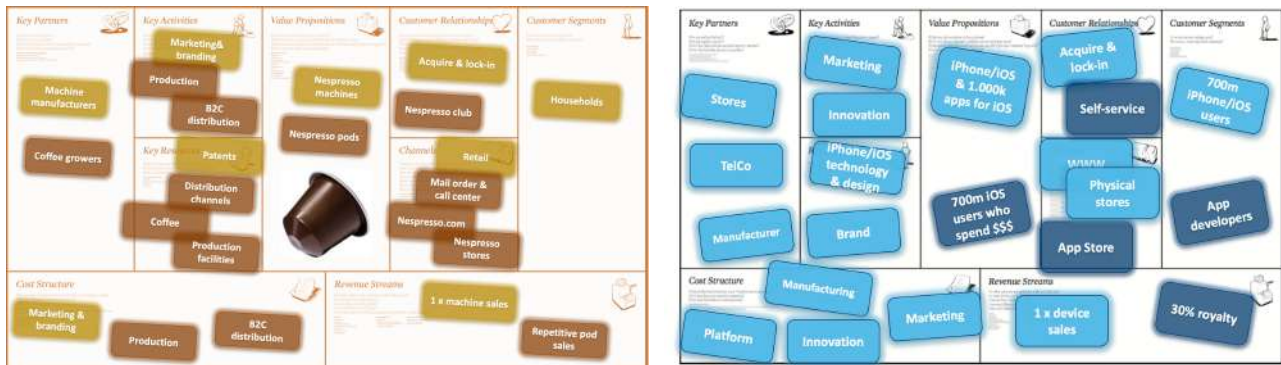
**Key Partners:** Outlines the network of suppliers & partners that make the business model work.

**Cost structure:** Describes all costs incurred to operate a business model.

**Q2 Describe the different starting points in developing the business model canvas and related points off attention. Use a figure to support your answer**



**Q3 Discuss the business model patterns of Nespresso and Apple, and link it with other examples. Use a figure to support your answer**



**Q4 Define and dimensionalize business model innovation. Use a figure to support your answer**

### Defining and Dimensionalizing the BMI construct

- **Dimensionalization:** difference in scope & degree of novelty – different BMI typologies:

Novelty	Scope		
		Modular	Architectural
	New to firm	Evolutionary BMI	Adaptive BMI
	New to industry	Focused BMI	Complex BMI

- Evolutionary BMI: occurs naturally, fine-tuning process
- Adaptive BMI: adaptation in response to changes in external environment (i.e. competition)
- Focused BMI: management actively engage in modular changes to disrupt market conditions (new to industry) → e.g. targeting new customer segment, ignored by competition, keeping other components (i.e. VP, ...) intact
- Complex BMI: management actively engage in architectural changes to disrupt market conditions (new to industry) → e.g. from bricks-and-mortar to online platforms

## Lecture 4:

**Q1 Discuss what factors should be considered when choosing Co-founders and what are the advantages/disadvantages coming with the decision. Use insights from the case Simplex Solutions to support your answer.**

You can evaluate each candidate on 3 different types of skills.

**Functional skills:** Skills that can be linked to the specific function.

-> CMO for Simplex: E-marketing, Social skills, Product management skills,...

-> CFO for Simplex: Capital raising skills, CF control, Risk management,...

**Domain skills:** Skills that can be linked to the domain the organization operates in.

-> CMO for simplex: Selling in Hospitality, local & regional knowledge,...

-> CFO for simplex: Costing & pricing in the industry, Tax system knowledge,...

**Startup skills:** Skills that are specifically needed for a startup.

-> CMO & CFO Simplex: Team player, Communication, Openness, Flexible,...

**Q2 Evaluating candidates on stand alone basis vs the team/context**

On a standalone basis some candidates might be more attractive than other but it is important to be sure the candidate is a fit with your team. If your team is lacking Finance knowledge your number one priority should be to hire someone with this know-how. Complementarity in a startup is off much more value than expansion of already existing knowledge.

Always think about what your team is missing! It is also important to be aware that 65% of VC backed firm failures is attributed to the Management Team.

### Q3 Define Advantages and Disadvantages of Solo and Team Founding

- Solo vs Team
  - Advantages (Disadvantages of team):
    - Retain all equity
    - Decision control
    - Avoid communication, coordination & incentive problems
  - Disadvantages (Advantages of team):
    - Rely exclusively founder for all gaps in Human Capital,...
    - Less ability to process complexity
    - Slower response rate
    - Lack of collaboration/support

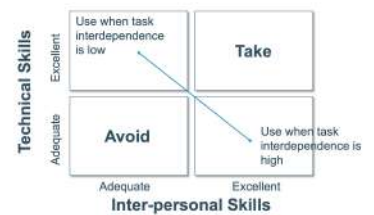
### Q4 Discuss how to use the DEFT Model and The 3Rs Model to assess Team Composition

Diversity: Maximize knowledge diversity, manage social diversity

Expertise: Maximize technical skills subject to adequate interpersonal skills

Faultlines: Beware of strong fault lines that could distort tasks conflict into personal conflict. => Group forming Bc Background

Timing: Ensure you time hiring carefully.



1. Hire when you see a good fit
2. Hire in anticipation of growth
3. Hire when growth expectations are confirmed

3R model:

Relationships - Roles - Rewards

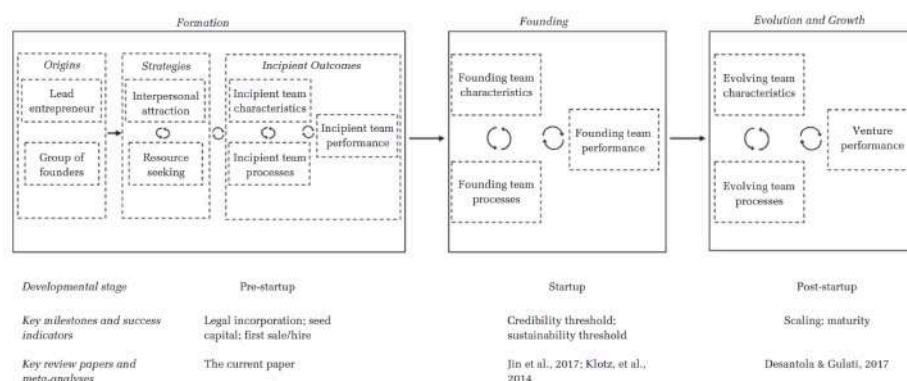
### Q5 Explain Advantages and Disadvantages of Team Diversity

Diversity can be divided in Knowledge diversity and social diversity.

KD is very important for a startup as it reflects differences in experiences, knowledge, domains,...

SD can be beneficial but it needs to be managed Bc it can cause conflicts just because of differences in values and visions.

### Q6 Explain entrepreneurial team formation as a dynamic process using the model Figure 3c “Zoom-out: The Influence of the Team Formation Process on Subsequent Phases of Entrepreneurial Teams” (Lazar et al., 2020\_ Entrepreneurial Team Formation\_AMA)





# Lecture 5:

## Q1 Discuss the concept “value chain” and why a value chain analysis is important for start-ups.

Linear value creation => Provides a snapshot of your industry structure and the other players you will need to work with in order to do business.

VAC analysis will allow you to think ahead about

- Your competitive position in the VC
- The opportunities & challenges you may encounter with others in the VC
- The probable consequences for your BM

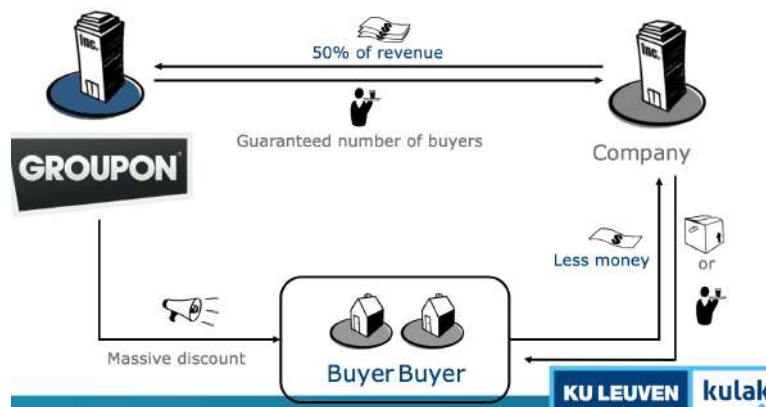
In order to reach your customer, you will need to attract and negotiate with those **players in the value chain** who control any **value-added** or **complementary assets** that you do not have.

## Q2 Explain how Native Deodorants disrupted the value chain of traditional players such as P&G. Use a figure to support your answer.

It was disruptive because it changed the way of delivery. Native deodorants shipped direct to customer, in contrast to traditional companies that distributed through retailers. Because he worked with this system he was able to achieve higher margins and so more profitable.

He also worked with the LSM, 24 products in 2 years, producing once he gets a signal from the customer.

## Q3 Use the example of Groupon to discuss the concept “value network”



The value network breaks tradition with the original linear value chain.

There are 3 different elements in the Value Network:

- The players
  - The company
  - The partners
  - The client
- The flow from company to client
  - Product
  - Service
  - Experience
  - Reputation
- The flow from client to company
  - Money
  - Less money
  - Attention
  - Exposure

**Q4 Explain how platforms are reshaping business. Use the case of the mobile phone market to illustrate your answer.**

Platform businesses bring together producers and consumers in high-value exchanges (matchmaking platform). Their chief assets are information and interactions, which together are also the source of the value they create and their competitive advantage.

Understanding this, Apple conceived the iPhone and its operating system as more than a product or a conduit for services. It imagined them as a way to connect participants in two-sided markets —app developers on one side and app users on the other—generating value for both groups. As the number of participants on each side grew, that value increased—a phenomenon called “network effects,” which is central to platform strategy. By January 2015 the company’s App Store offered 1.4 million apps and had cumulatively generated \$25 billion for developers.

**Q5 Explain why AirBnB poses a significant threat to incumbent companies like Accor, and discuss the strategic actions of Accor to respond this threat**

AirBnB is a platform business, matchmaker between people that have assets and people that want to use these assets. AirBnB doesn’t own anything themselves of real assets only their software is theirs. Their market and assets surpass Incumbents rapidly. Incumbents were Hotel brands while AirBnB developed a hospitality Platform and beyond.

Accor reacted with

- Niche market AirBnB, ex. One fine Stay => They try to get access to this market
- Divesting Physical assets
- Target non travellers => offices, Board rooms,...

## Lecture 6:

**Q1 Describe Internal and External sources of funding**

Internal sources:

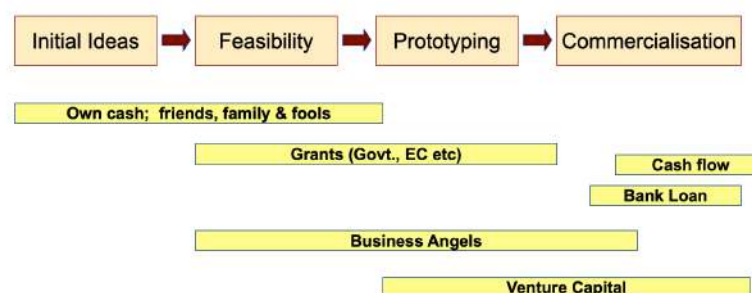
- Personal means
- Cash Flow -> mostly for Market Pull because Technology Push typically generates CF later

External sources:

- Bank loans
- 3F’s (Friends - Family - Fools)
- Business Angels (Expensive = 30-40% of company)
- Venture Capitalist (Expensive = 40-60% of the company)

Once BA or VC enter the focus shifts to the Exit.

**Q2 Discuss the Stage of Venture Development and Funding**



Grants still comes at a cost, not direct but indirect. (Request & report documents)

Bank’s need to see have a collateral if the loan can’t be paid back on a normal way.

BA, VC and Banks need evidence of BM before they enter



**Q3 Define the concept “bootstrapping” and different types of bootstrapping techniques.**

Process of finding creative ways to exploit opportunities to launch and grow businesses with limited resources. Limit the working capital need. COST SIDE WORKING

4 techniques:

- 1) Customer related (Obtaining advance payments)
- 2) Delaying payment (Leasing)
- 3) Owner-related financing & resources (No salary)
- 4) Joint-utilization of resources with other organizations (Shared offices)

**Q4 Explain why “bootstrapping” is desirable, use the concept “pecking order of finance” in your answer.**

Process of finding creative ways to exploit opportunities to launch and grow businesses with limited resources. It is desirable because it allows to postpone external funding as long as possible which gives the opportunity of a higher valuation once external resources are needed. The pecking order is the type of funding you'd should try to use first and so on

- 1) Internal
- 2) Bank loans
- 3) BA & VC

**Q5 What are advantages/disadvantages of using “bootstrapping”**

Advantages	Disadvantages
- Focus on the business, not on raising money	- Much longer time to grow business
- 100% control over the company	- Not all businesses can be bootstrapped
- Learn financial discipline fast	
- Be more customer-focused	

**Q6 What criteria would u use to evaluate the risk of investing in startups (see case Candice Cake)?**

The founder needs to make a careful decision about being King or Rich. (Founders dilemma)

Internal side:

Founders?

Management team

Business Model?

Deal?

External side:

Market size?

Competition?

Growth predictions?

**Q7 Explain the wealth versus control dilemma and link it to different sources of external financing (Incubator/Business angel/Venture capital). (see case Candice Cake)**

Entrepreneur side:

Capital raised?

Equity?

Human Capital?

Social Capital?

**Incub./accum. King // BA & VC rich**

	Wealth Level	
Level of control	Low	High
Low	Liquidation	Rich
High	King	Exceptions

### Q8 Define and characterize Business Angels and Venture Capital firms

BA are wealthy private investors, often experienced entrepreneurs. Their objective is FUN and return, they want a hand on involvement and help on the operational side as well. (10k-250k) They use friends and network to spot opportunities.

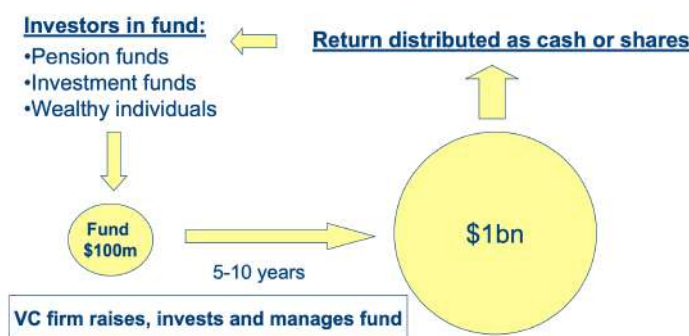
Exp(return) 30-35%

Early stage investors

Part of the entrepreneurial team => Match with entrepreneur is highly important.

VC is fundamentally different. External investors accumulate their funds in one big VC fund, the VC firm then invests this money in companies. A VC invests thus money from other people, typically IB, Pension funds, wealthy individuals,...

### Q9 Describe the life cycle of a Venture capital fund. Use a figure to Support your answer.



#### Step 1:

Raise fund and come up with an investment strategy

#### Step 2:

Manage fund for 10-12 years

0-2y invest

2-7/8y follow up

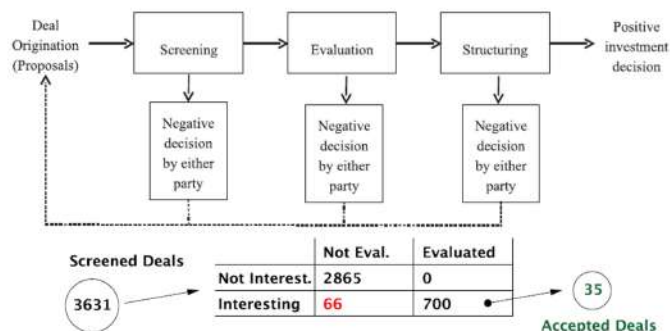
After 8y Exit

#### Step 3:

Redistribute to the investors

Take 20% of PROFIT (+ management fee)

### Q10 Discuss the screening and due diligence process used by Venture capital firms when considering an investment opportunity.



While screening & DD the startup is carefully analyzed on several domains, economic, juridical, fiscal & financial.

In the structuring phase the term sheet is created, this term sheet consists of:

- Deal
- Investors rights & protection
- Governance & control
- Exit & liquidation

Only 1% of submitted plans receive funding from VC.

**Q11 Explain the concept “ funding gap” and discuss the typical mechanisms that policy makers introduce to address the “funding gap”.**

A funding gap is the amount of money needed to fund the ongoing operations or future development of a business or project that is not currently funded with cash, equity, or debt. Funding gaps can be covered by investment from [venture capital](#) or angel investors, equity sales, or through debt offerings and bank loans.

The term is most often used during the initial stages of research, product development, and marketing of early-stage companies. Funding gaps are commonly realized in companies within the pharmaceutical and technology industries, which rely heavily on research and development.

**\* Investopedia**

Policy intervention needed:

- Loan guarantee schemes
- Support equity funding
  - BA networks (syndicate)
  - Co investments schemes
  - Public funds

**Q12 Discuss the case of Sitra’s “PreSeed Service” and how Sitra innovated the traditional Business Angel Network.**

**Liska:** Focus on acquiring market information => High quality Business plans

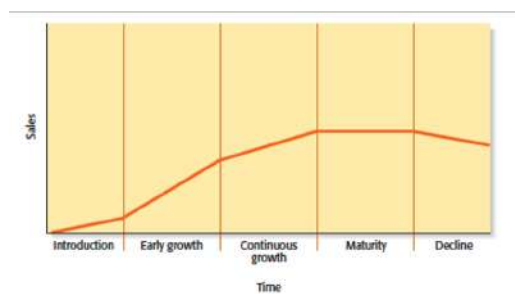
**Dili:** Sweat Equity, match a business developer profile with the startup, usually 5-20% shares.  
BA network 2.0

## Lecture 7:

**Q1 Discuss why growth isn’t always a good thing**

- Not all businesses have the potential to be aggressive growth firms
  - A business can grow too fast
  - Business success doesn’t always scale
- => A firm should establish growth related plans

**Q2 Describe the most important factors for firms to focus on during each stage of company life cycle. Use a figure to support your answer**



Introduction:

Product Market fit?  
Core strengths & capabilities?

Early growth:

Work on the business not “in”  
Increased formalization

Continuous growth:

Need for formalization  
Expand product offering / new markets  
Founder <-> Management?

Maturity:

Focus on efficiency  
Growth by partnerships, acquisitions, licensing,...

Decline:

This stage is not inevitable!  
It depends on its ability to adapt over time

**Q3 Describe the managerial capacity problem.**

A firm can't quickly increase its managerial services to take advantage of new product or service ideas because:

- Expensive to hire new employees
- Takes time for new hires to be socialized into the culture of the startup
- It takes new hires time to acquire firm-specific skills

If these resources are insufficient to take advantage of new developments, this bottleneck is called the managerial capacity problem

**Q4 Discuss the challenges for growth imposed by adverse selection and moral hazard.**

The problem of adverse selection occurs when a company is increasing in number of employees -> this makes it increasingly difficult for the firm to find the right fit, position, supervision,...

The problem of moral hazard occurs also when the number of employees rises, these new hires probably do not have the same incentives & motivations/passion as the founding team, they even might try to avoid hard work.

**Q5 Discuss the day-to-day challenges of growing a firm.**

Cash flow management: A firm needs more cash the bigger it gets

Capital constraints: they are an ever present problem in growing firms

Price stability: if growth comes at the expense of market share of a competitor, a price war could ensue. This is a losing game for everyone

Quality control: An increase in firms activity can result in quality problems because a firm might not be able to increase its resources to handle the extra work.

**Q6 Explain the difference between "internal growth strategies" and "external growth strategies".**

Internal GS:

- New product development
  - Competitive necessity => high risk strategy as it requires a new BM
- Other product related growth strategies
  - Improving quality of an existing product or service
  - Increasing market penetration -> Greater marketing or greater production capacity
  - Extending product lines -> Variations
- International expansion
  - Equity based entry ( Sales Offices, Subsidiary)
  - Non-equity based entry (Direct export, Distributors)

Direct contact was important for CC because of the LSM

Equity based <=====> LSM

External GS:

- M&A
- Licensing
- Strategic alliances & Joint Ventures

	Equity based	Non-equity based
+	Control, Direct rust. Contact	
-	Capital investments Liabilities more present	

**Q7 Discuss the concepts “liabilities of foreignness” and “liabilities of outsidership”, use insights from the case Candice Cake in your answer.**

The 'liability of foreignness' is a term describing the additional costs that firms operating outside their home countries experience above those incurred by local firms.

Face specific risks in a foreign market, risk related to geographic proximity

Liability of Outsidership, you do not have a network with all kinds of players that you may need as an entrepreneur to exploit the business opportunity.

CC wanted to expand from Russia to US markets as they thought that there was a great opportunity over there. The entry strategy was decisive in tackling the liabilities.

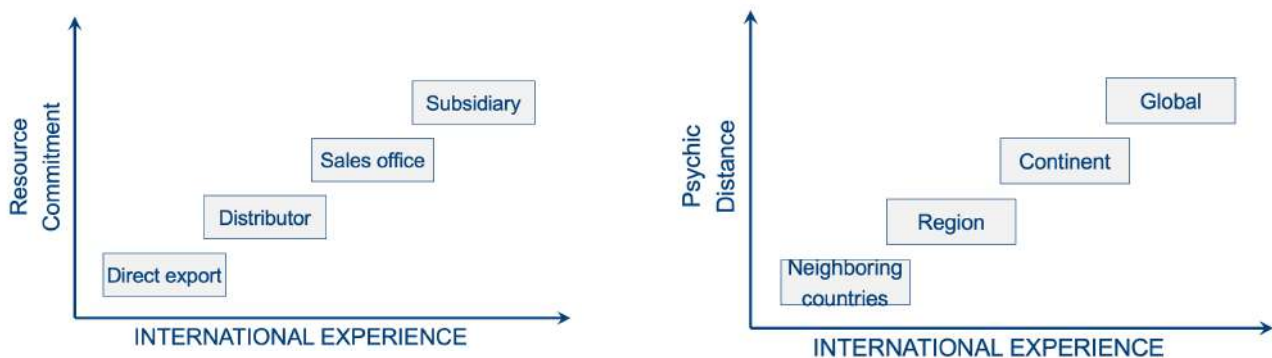
By using distributors CC escape the LOF & LOO

**Q8 Explain how a transaction economics perspective can help entrepreneurs to make entry mode decisions.**

Central concept = transaction cost, which result from the negotiation, conclusion, and maintenance of a contract.

Evaluate the cost to transfer knowledge  $\Leftrightarrow$  internalization of the transaction

**Q9 Explain the stage model of internationalization**



Experiential learning

Stage model doesn't reflect reality !

**Q10 Discuss how the “born global” and “network approach” help to explain the internationalization of startups. Use a figure to support your answer.**

Born global: Focus on the role of the entrepreneur / management team

- Foreign market knowledge through previous working experience of founders (Congenital learning)

Network approach: Focus on the role of network partners

- Foreign market knowledge through learning from network partners ( Inter-organizational learning)

**Q11 Discuss “strategic alliances” as an external growth strategy**

A strategic alliance is a partnership between two or more firms developed to achieve a specific goal;

Two types:

- Technological alliances: cooperation in R&D, engineering, manufacturing
- Marketing alliances: use excess distribution capacity to sell products

**Q12 Explain “licensing”**

Licensing is granting permission by one company to another company to use a specific form of its intellectual property under clearly defined conditions

Virtually any IP a company owns that is protected by a patent, trademark, or copyright can be licensed to a third party

**Q13 Explain “joint ventures” and describe the difference with “mergers and acquisitions”.**

A joint venture is an entity created when two or more firms pool a portion of their resources to create a separate, jointly owned organization

- Common reason is to gain access to a foreign market

Acquisition is the outright purchase of one firm by another.

Merger is the pooling of interest to combine two or more firms into one.

## Lecture 8:

**Q1 Describe the different valuation methods for start-ups, which one would you prefer to use? Explain why.**

You can value a company based on the DCF method. This method is consisted of future cashflows and a discount factor, with these we can value a firm. However for a startup this kind of valuation is highly doubtful as pure cash flows are uncertain and very volatile. Therefore a DCF isn't the best method to value.

The (better) alternative is the multiple valuation. Firstly you need to search a comparable company preferably in the same industry. To make it easier you should take a look at companies that went through IPO as all important financial indicators are made public available in the process. You count the price/earnings multiple. To value the own firm you multiply the firm's earning by the multiple obtained. (Price/sales is an alternative)

**Q2 Explain the link between the environment, type of growth path, and exit of high-tech startups. Use a figure to support your answer**

Environmental stability: Appropriability of the technology through IP and/or market clarity

Environmental complexity: Complementary assets important to build the value chain to reach customers.

**Q3 Discuss how exit-driven startups increase their attractiveness towards potential acquirers?**

Startups with exit strategies operate in a high environmental complexity & perform in signaling strategies. Exit driven is beneficial for investors because at exit is the point where these investors get their money back. If they have an Exit strategy they are much more likely to make a profit from their investment.