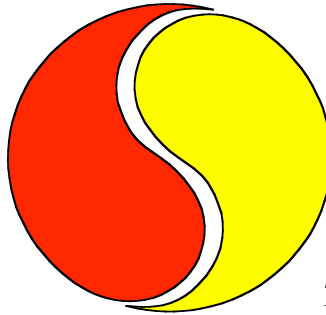


E140A Session #5 Agenda

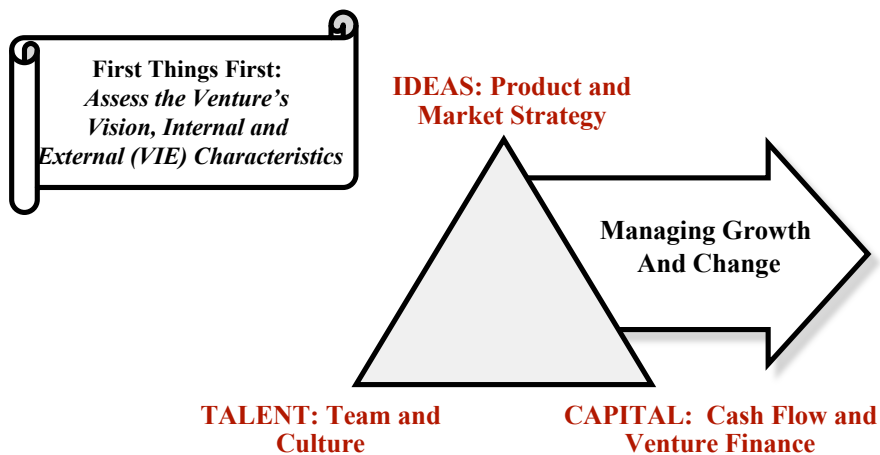
Models and Frameworks



Term Project

E140A, Slide #1

Our Primary Framework and Case Mapping



Reference: Collins and Lazier

E140A, Slide #2

	“Built to Last” Ventures	“Built to Flip” Ventures
Objective	Create lasting value	Short-term cash out
How to Retain Employees?	Create a great culture & shared vision	Give them lots of equity
Commitment to Innovation	Pursuit of long-term, Big Hairy Audacious Goals (BHAGs)	Market-driven initiatives
How to Survive Setbacks?	Preserve core values while stimulating progress	No core values to rely on, so company is at risk

Source: Fast Company, Jim Collins

E140A, Slide #3

Kaplan’s Dynamics of the Start-Up Game

(1) Founding:

An entrepreneur begins with a vision and shares of stock in the new venture.

*Entrepreneur trades stock for
ideas, money, and people*

*Value has been
successfully created.*

(2) Seed Stage:

- Venture capitalists provide money in return for stock
- Employees join via friends & associates in return for cash salary and stock options
- Ideas become intellectual property which represents the initial value in the company

(4) Exit Stage:

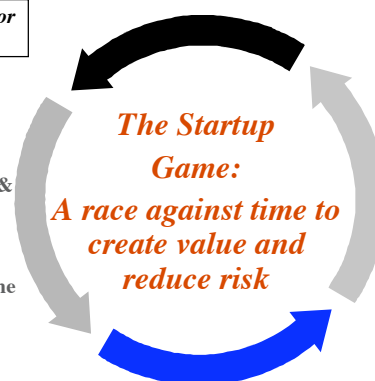
- IPO or M&A
- Entrepreneur, investors, and employees can cash in stock for money
- A viable public company has been created (if IPO).
- Each party continues to build the company, retires, or starts the game again

*Further growth is delayed
until milestones are
reached and risk of
failure is reduced*

(3) Growth Stage:

More money, ideas, and people are obtained, but for much less stock than in the earlier stage due to lower risk

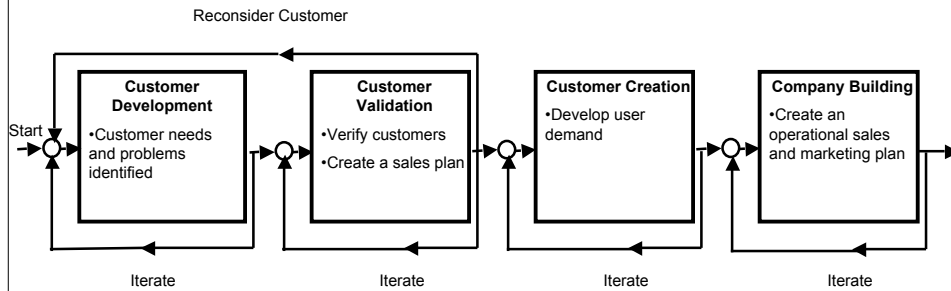
*Company balances earning
cash, taking investment, and
spending cash to create value*



Reference: Start-Up by Jerry Kaplan

E140A, Slide #4

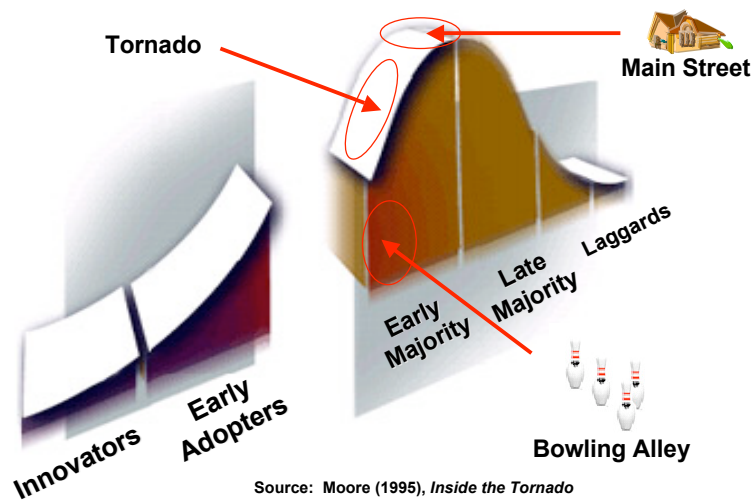
Product/Market Strategy: Blank's Customer Development Process



Reference: Blank, *Four Steps to the Epiphany*

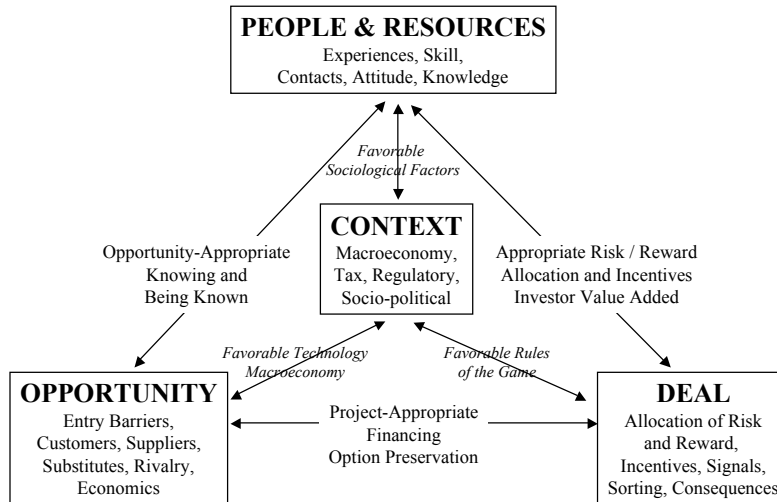
E140A, Slide #5

Product/Market Strategy: Moore's Crossing The Chasm Model



E140A, Slide #6

Finance Strategy: Sahlman's Concept of Fit

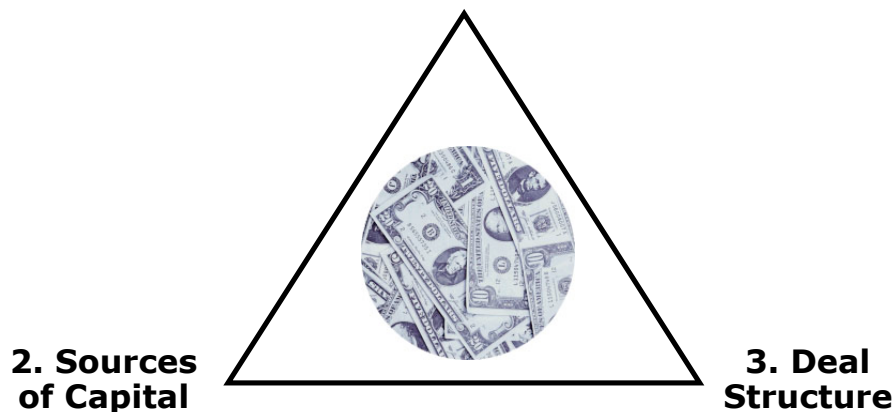


Reference: Sahlman, HBR

E140A, Slide #7

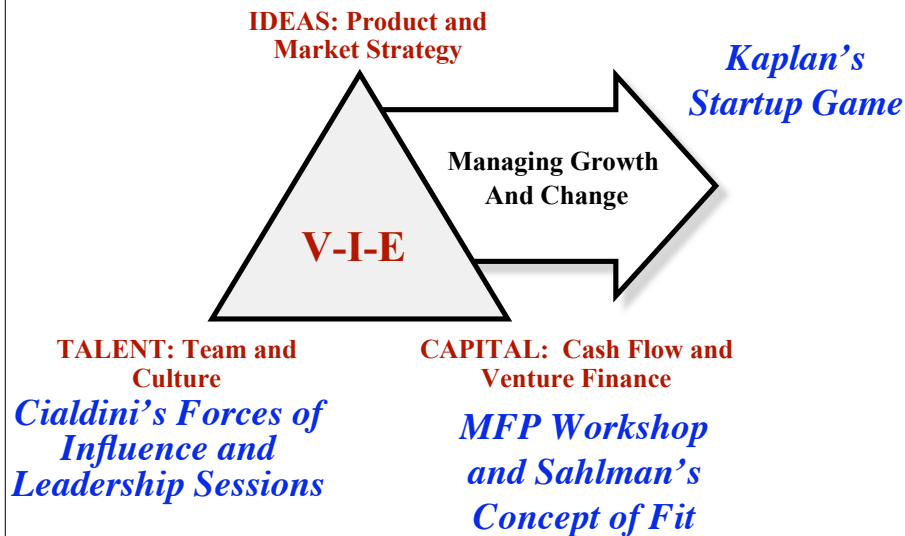
Venture Finance Process

1. Amount of Cash Needed and Purpose



E140A, Slide #8

*Blank's Customer Development
and Moore's Chasm*



What Drives What?
“Ready → Aim → Fire”

1. Vision → Strategy → Execution
2. Positioning → Marketing Decisions:
Product/Place/Price/Promotion
3. Opportunity/People/Context → Deals
4. Cash Needed & Purpose → Sources of
Capital → Valuation & Terms