

Entrepreneurism

- Entrepreneurial mind-set
- Predictions
- Core principles
- Exercise to practice building an idea

Entrepreneurial mindset

- Sarasvathy proposed effectuation as the dominant model for entrepreneurial decision-making
- Expert entrepreneurs use effectuation more often than causation. Causation is the opposite of effectuation. Where effectuation is used in situations of uncertainty, causal reasoning is used when the future is predictable.

You have to have an idea of what you are going to do but it should be a vague idea. An idea is a point of departure and no more. As soon as you elaborate it, it becomes transformed by thought.

-Pablo Picasso



It's hard to make predictions. Especially about the future

'We'll never equip our computers with a mouse

IBM

'Who the hell wants to hear actors talk?'

HM Warner, in 1927.
When silent movies were in fashion

All that could be invented already has been invented

Charles H. Duell,
U.S. Office of Patents

'Anyone who sees a source of energy resulted from the transformation of these atoms is talking nonsense.'

Ernest Rutherford,
shortly after the first fission

There is no reason for someone to wish a computer at home

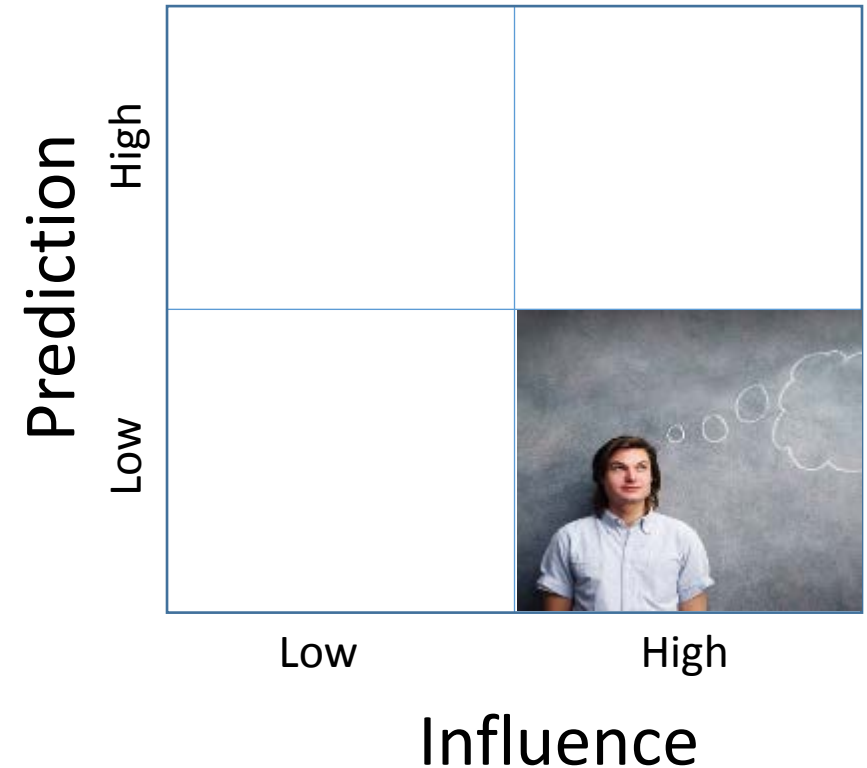
Ken Olson, Digital Equipment Corp. founder

No matter what, it will never learn anything

Albert Einstein's teacher to Einstein's father

Prefer influence over prediction

- Uncomfortable with prediction, comfortable with influence
- Imagine what might be broadly possible: hypothesise
- The imagined end remains dynamic: Path is made by walking
- Identify opening moves and experiment
- Believe that the future is neither found nor predicted, but rather made
- Self determination



Five core principles of Effectual Logic

- The Bird in Hand Principle. Entrepreneurs start with what they have. They will look at who they are, what they know and who they know. Their education, tastes and experience are examples of factors which are important in this stage. Besides these examples this is also the stage where entrepreneurs look at their 3F's, better known as friends, family and fools. From this point they will look at their abilities. So an entrepreneur does not start with a given goal, but with the tools he or she has.
- The Affordable Loss Principle. An entrepreneur does not focus on possible profits, but on the possible losses and how they can minimize those losses.
- The Crazy Quilt Principle. Entrepreneurs cooperate with parties they can trust. These parties can limit the affordable loss by giving pre-commitment.
- The Lemonade Principle. Entrepreneurs will look at how to avoid contingencies. Surprises are not necessarily seen as something bad, but as opportunities to find new markets.
- The Pilot-in-the-plane. In this stage all the previous principles are put together. The future cannot be predicted, but entrepreneurs can control some of the factors which determine the future.

The Bird in Hand Principle

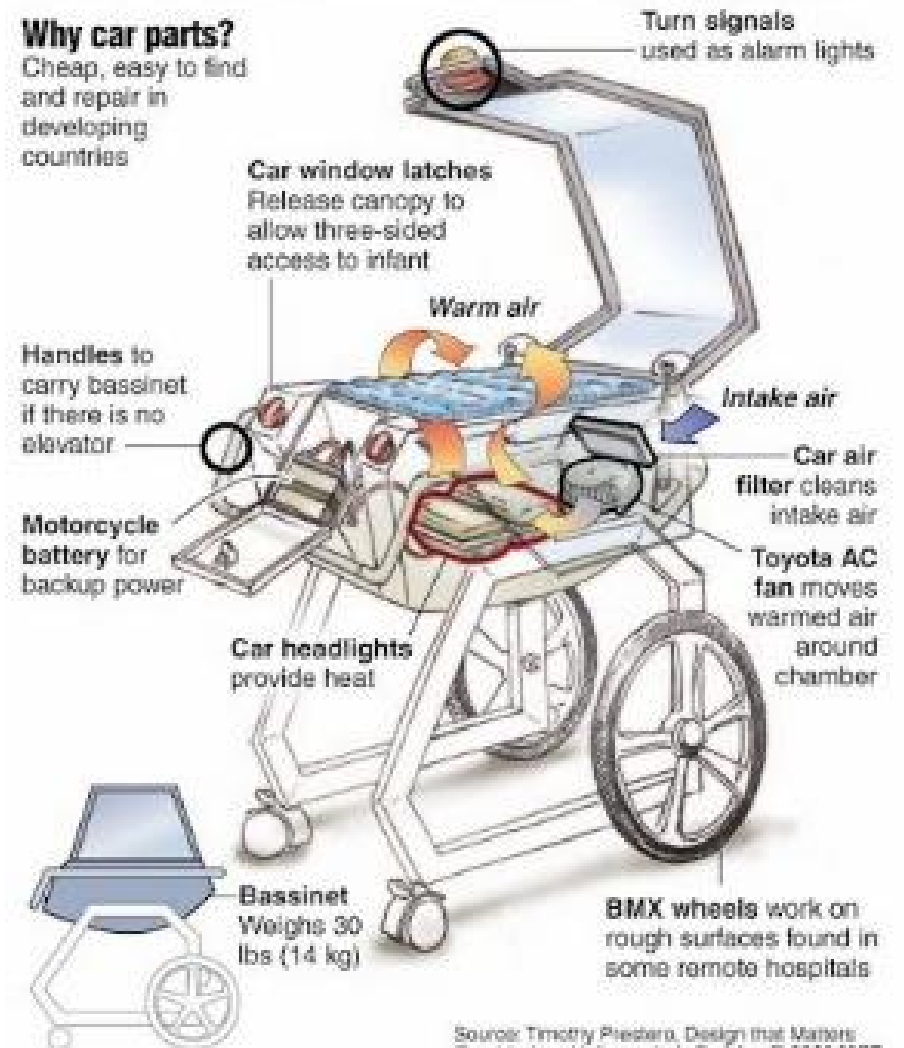
- When expert entrepreneurs set out to build a new venture, they are creative with their available means:
 - Who am I?,
 - What do I know?
 - Whom do I know?
 - What do I have?
- Expert entrepreneurs imagine possibilities that originate from their available means.
- Know yourself and be creative with what's available:
 - Characteristics and preferences
 - Education and experiences
 - Bird in the hand
- Passion enables perfection

Incubator for the Third World

A low-cost, versatile incubator made from car parts and other inexpensive materials could save about 2 million newborns in developing countries.

Why car parts?

Cheap, easy to find and repair in developing countries



Source: Timothy Piedra, Design that Matters.
Graphic: Lee Hutang, Judy TheGle © 2009 MCT

The Affordable Loss Principle

- Risk Little, Fail Cheap
- Avoid irresponsible risk
- Concentrate on acceptable risk to next step
- Quick action and learn by doing
- Be frugal, bootlegging



The Crazy Quilt Principle {form partnerships }

- Stakeholder Commitments - the entrepreneur interacts in search of self-selecting partners to co-create the venture with.
- By obtaining pre-commitments from these key partners early on in the venture, experts reduce uncertainty and co-create the new market with its interested participants.
- In contrast, causal reasoning presumes that competitors are rivals to contend with.



The Lemonade Principle

- **Murphy's law:** "Anything that can go wrong, will go wrong".
- Corollary: "Surprises should not be surprising."
- Exhibit resiliency, the ability to cope with the unexpected.
- Flex to take advantage of serendipity and uncertainty.
- Allow yourself three mistakes a day and look for lessons.



Velcro

Post-it

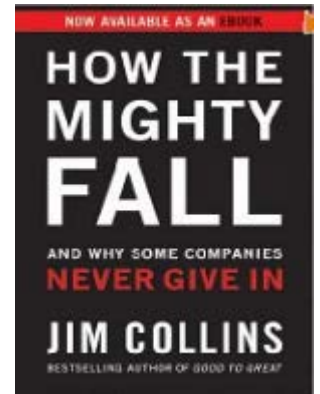
WD-40

Starbucks

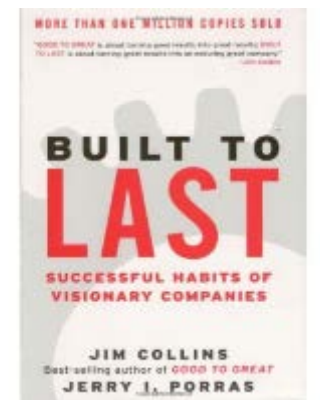
Viagra

Penicillin

Cheese



May 2009



1994

The Pilot-in-the-plane

- Take control: be empowered
- By focusing on activities within their control, expert entrepreneurs know their actions will result in the desired outcomes.
- Don't wait for the golden opportunity
- When you take 100% responsibility for all outcomes. You have zero excuses.



Exercise and questions

- Present your invention (Each group member) 10 minutes
- Select one invention to develop (Group process) 10 minutes
- Develop the case for commercialisation by addressing questions related to invention, value hypothesis and growth hypothesis (Group process) 30 minutes
- Identify the critical assumptions and recommend next steps (Group process) 10 minutes
- Pitch for funds to achieve the first significant increase in value (A selection of four groups will be selected to present during dinner)

Record of invention: idea dimensions

- Briefly describe the idea (A one way mouse ladder)
- What is the main advantage? (Humane)
- What problem does it solve? (No human contact)
- Does it replace or improve existing processes or products? (Improvement)
- Describe the novel or unusual features of the idea. (non-lethal)
- Identify immediate and possible future applications. (Other pests, invasive species, auto discharge, long-lasting bait)



Questions: the invention

- What is the new knowledge you have discovered as a result of your research?
- Describe the features and attributes of your invention.
- How unique is your new knowledge? For example:
 - What databases have you searched to see if it has been previously published?
 - Are there others researching in similar areas?
- How unique is your invention (e.g. how many related patents did you find in Google Patent)?
- How is your solution/answer surprising or different?
- How have you recorded your invention?
- Who have you told?

Questions: The value hypothesis

- Who are the potential customers?
- How many potential applications have you considered?
- Are there segments of users within these application areas?
- What problem does it solve for each application (i.e. what benefits do you expect customers will derive from its use)?
- Are there existing and alternative solutions? How might your invention be better than these?
- Is there a unique value proposition (i.e. an unfair advantage, such as IP, unique expertise, etc.)?
- Can you estimate the value of the benefit?
- What are the biggest assumptions/hypotheses you have made in arriving at this value proposition?
- Which are the most critical hypotheses and what experiments can you suggest to test these?

Questions: the growth hypothesis

- How large is the market and how rapidly is it growing?
- How will you establish and maintain a relationship with the customer?
- How and in what form would potential customers be likely to pay for this benefit?
- How many different ways might you derive revenue from your product or service?
- Channels to market
 - Who would sell to who?
 - How much value will you need to share with channel partners?
- What other partners will you need to enable the development and growth of this business?
- How might the proposed business be constructed such that it benefits from scale?
- What are the biggest assumptions/hypotheses you have made in arriving at this growth hypothesis?
- Which are the most critical hypotheses and what experiments can you suggest to test these?