

Agile Venture Creation

Presentation to CT SPIN
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Dan Leech



The startup game

- The goal: to gain paying customers a.s.a.p.
- Requires a product/service that works, and is something people want and are willing to pay for
- Source of funding for new businesses:
 - William Sahlman, HBS professor: “The best money comes from customers. And to the extent that you can get your customers to pay you early, it’s an indication that you have a product that is compelling”

Textbook business creation

- Encourages upfront planning and following the plan
 - Stage gate model
 - Encourages rigidity in the business creation process
 - Non-cyclic, potentially once-off exercise
- However, venture creation is an innovative process that requires flexibility
- Entrepreneurs are often convinced that they have ‘the solution’

Shadow beliefs of start-ups

- Eric Ries, co-founder of IMVU:
 - “We know what the customers want”
 - New technologies are developed inside the ‘reality distortion field’
 - “We can accurately predict the future”
 - Projections in spreadsheet are taken as literally true
 - “Advancing plan is progress”
 - Focus on executing the plan blinds continuous assessment of the plan

Planning to fail

- Eric Ries, co-founder IMVU:
“Start-ups don’t fail because the technology doesn’t work. They fail because nobody wants what they are trying to build”
- Ron Conway, angel investor of Facebook and Digg:
“The entrepreneurs that fail are usually the ones that don't understand that the business is supposed to morph.”

Agile business creation

- Business creation is not done in isolation
 - Innovation involves customers and consumers
- Product development is an iterative and not a once-off process
- Flexibility allows simultaneous development of different business areas
 - Customer development is carried out together with product development
 - Ensures customer base upon product completion
- Encourages the ability to change, even late in the business creation process

Textbook vs. Agile approaches

- 'Predictive' business creation
 - Focus on plan execution
 - Single tracked product development
 - Market testing occur at the end of product development
 - Longer time to first paying customer
- Agile business creation
 - Focus on launching first working prototype
 - Cyclical product development
 - Continuous market testing
 - Relatively shorter time to first paying customer

Agile business creation & fund raising

- Ron Conway, angel investor of Facebook and Digg:
“And I try and pick entrepreneurs who are very, very flexible. Who understand that their business is going to morph from be completely different from what they talked and were so passionate about in the first meeting.”

Agile business creation & fund raising

- Clara Shih, founder & CEO of Hearsay Labs:
“We did a lot of **talking** to who our potential users would be... And so, our criteria really was about having paying customers and real market knowledge before we would even pitch to even an angel, much less a VC.”
- Fund raising takes a lot of time, and diverts attention away from other activities that would lead to gaining customers & building value

New business creation planning

- Goal: to gain first paying customer a.s.a.p
- Failed prototype is good
 - Tells you what the customer do not want/
what is not going to work
- Minimize time and cost to reach first customers
- Use first paying customer to help you raise funding to help you grow

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