

E4P

EFFECTUATION THEORY and LEAN STARTUP

- Repetitions
- Opportunity
 - Ideas

WELCOME BACK, FOLKS!



Motivation factors



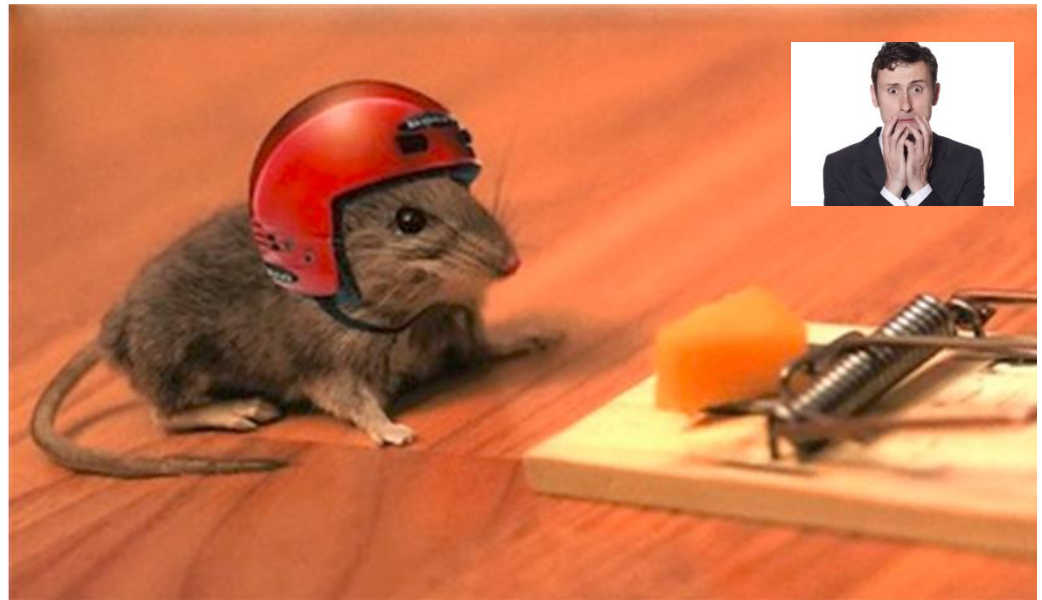
Ideas



Opportunity

Ok, but...what about:

MONEY, TIME, RISK, SKILLS, ... ???



BOXES

Box 1: Known distribution, unknown draw

Box 2: Unknown distribution, unknown draw

Box 3: Unknowable distribution

} —————> RISK (can be calculated)

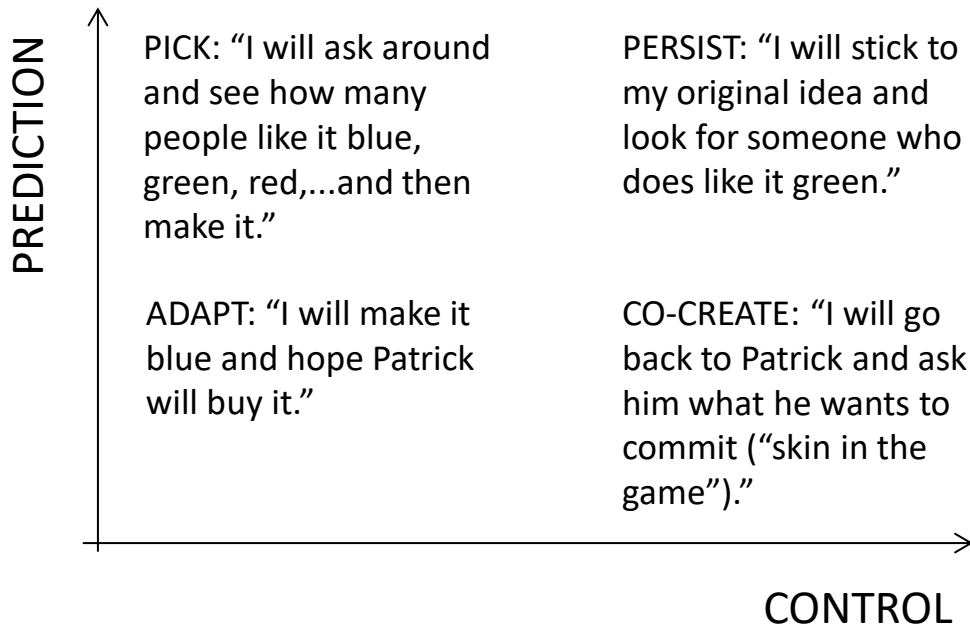
—————> UNCERTAINTY

EXERCISE 2 (S. Sarasvathy)

JOHN: “I have designed an object. I have not made it yet, but here is how it will look like.”

PATRICK: “Uhm... I might buy it, if only it were blue, and maybe slightly different at the tip...”

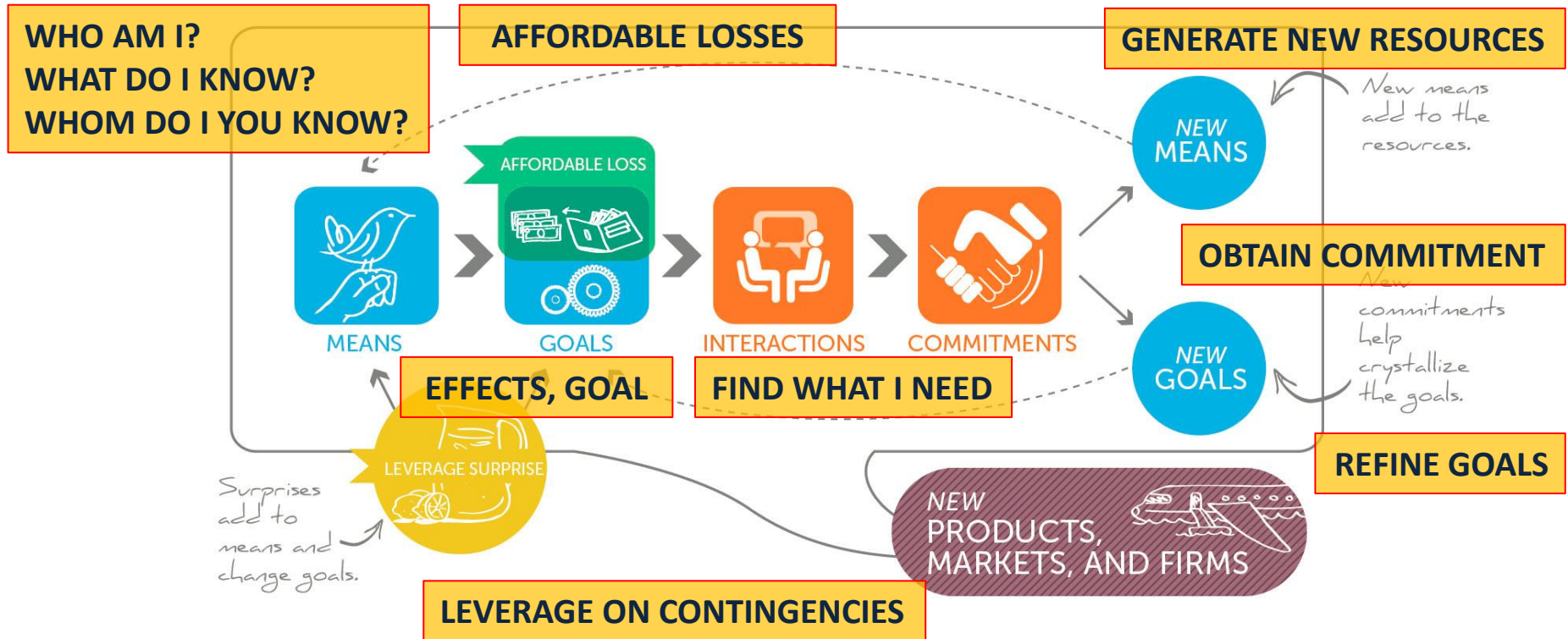
WHAT WOULD YOU DO IF YOU WERE JOHN?



I WISHED I KNEW IT BEFORE: EFFECTUATION THEORY



WARNING: not a method on how to start a firm; “only” explains how entrepreneurs think!



LARGE FIRMS	ENTREPRENEURS
Plan	Control
Fix ROI, minimize risk	Fix affordable losses, maximize ROI
Competition	Cooperation
KPI: profit	KPI: entrepreneur's ambition

S. Sarasvathy (2001),
Academy of Management Review 26, 243

WHAT DOES THIS MEAN IN PRACTICE FOR YOU: #1



WHO AM I?
WHAT DO I KNOW?
WHOM DO I YOU KNOW?



WHO AM I?

WHAT DO I REPRESENT FOR MY (POTENTIAL) NETWORK?

A (young, brilliant, ...) scientist?

A good speaker? A good writer? A good programmer?

Italian? Rich? Someone who has time to spend on ventures?

...

WHAT DO I KNOW?

Set of information that I was able to combine?

(Hidden) practical know-hows or skills?

...

WHOM DO I KNOW?

Family, friends, and fools?

Professors, other scientists?

Potential users of my offer?

WHAT DOES THIS MEAN IN PRACTICE FOR YOU: #2



AFFORDABLE LOSSES IN TERMS OF:

- **MONEY**
probably the less relevant of the costs 😊
- **EMOTIONS**
failure acceptance, sleepless nights, ...
if you are the inventor, you may see your invention turned around!
- **TIME**
less time for yourself and your loved ones
(I will come back on this one...)
- **REPUTATION**
people may look at you in a different way

WHAT DOES THIS MEAN IN PRACTICE FOR YOU: #3



THE REAL WORLD AND LEAN START-UP

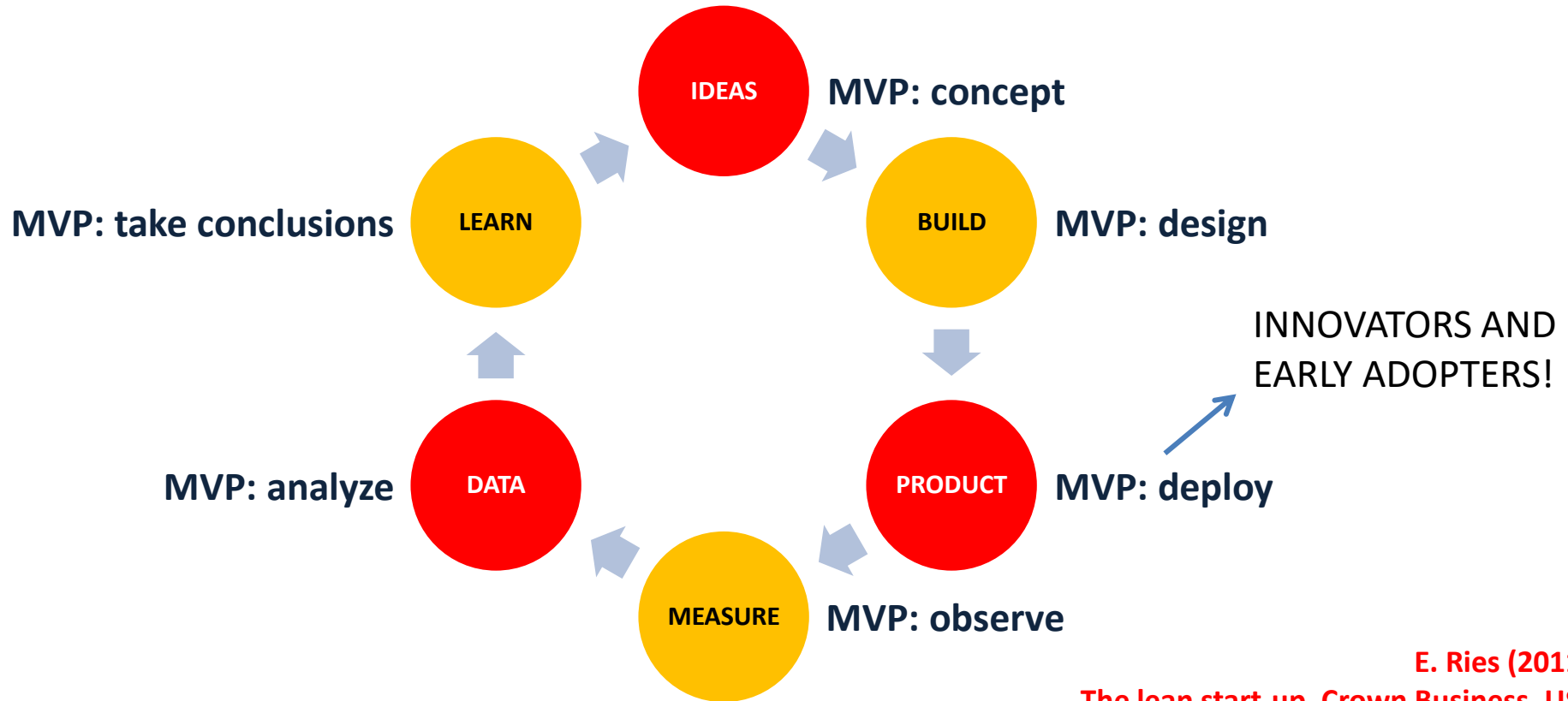


COMMITMENTS

Customers

“No business plan survives first contact with customers!” (S. Blank)

“Everyone has a plan until they get punched in the mouth!” (M. Tyson)



E. Ries (2011),
The lean start-up, Crown Business, USA

S. Blank and B. Dorf (2012),
The start-up owner's manual, K&S Ranch, USA

BUT I DO NOT HAVE TIME FOR IT!



This part of the lecture takes inspiration from the TIAS Entrepreneurship course of professor R. Dew

TIME AND THE 80/20



EXAMPLE 1: LENSLESS MICROSCOPE



Stefan Witte



Portable/easy to use

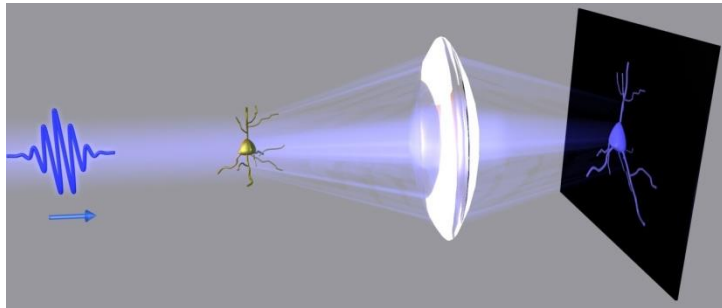


High res./large FoV

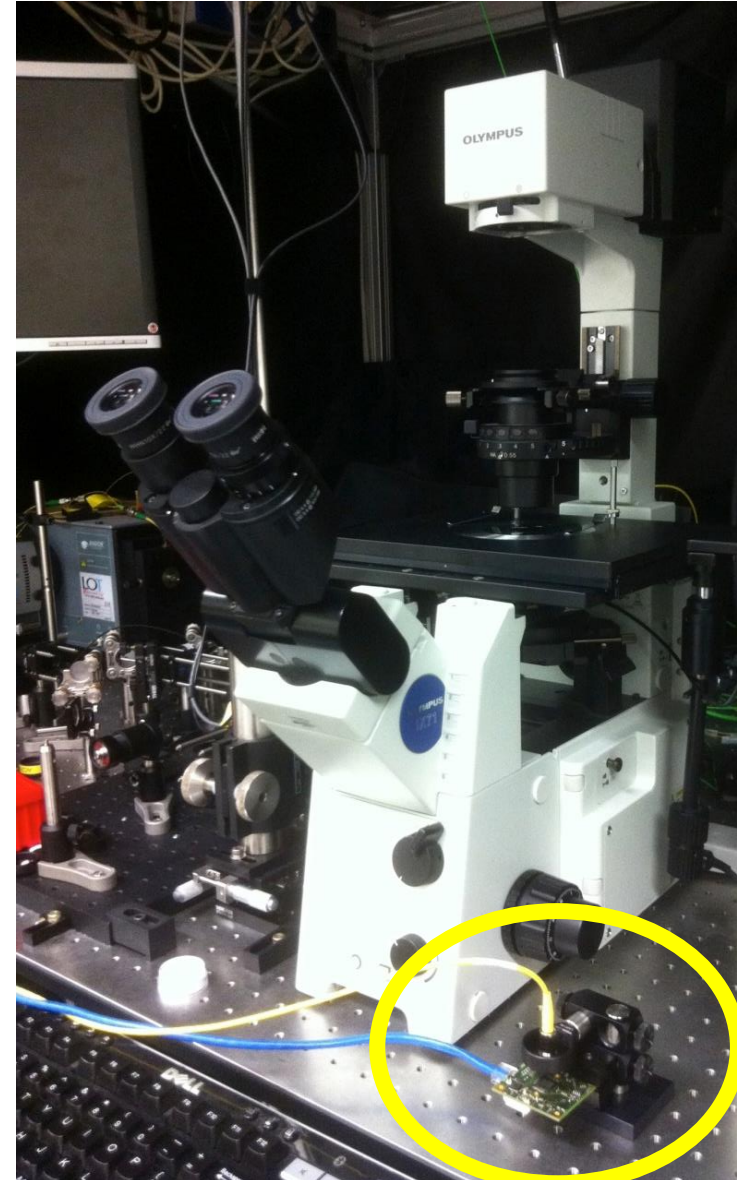
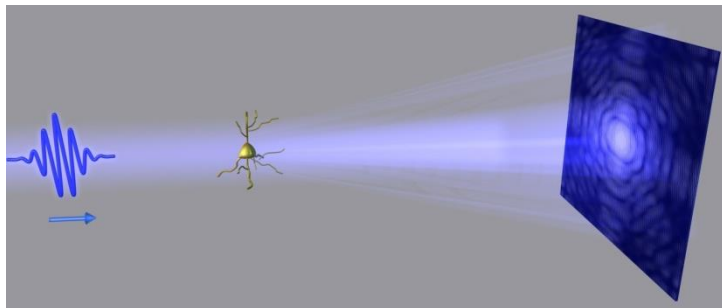


Low cost

**Standard
microscope**



**Lensless
microscope**



EXAMPLE 1: LENSLESS MICROSCOPE PROTOTYPE



Stefan Witte



Portable/easy to use



High res./large FoV

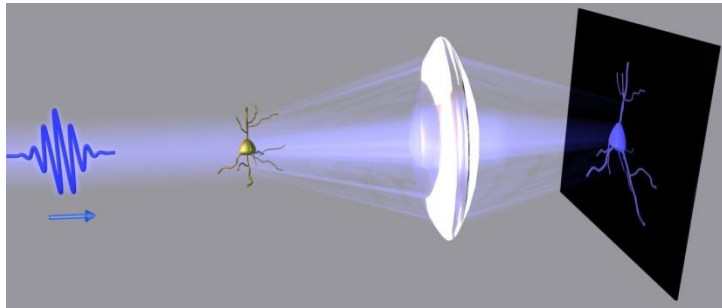


Low cost

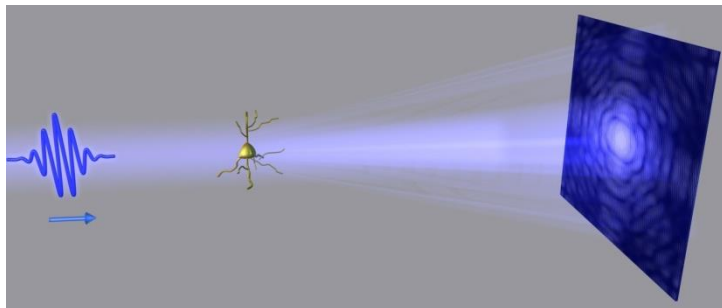
SENZA:
A MICROSCOPE
FOR INCUBATORS



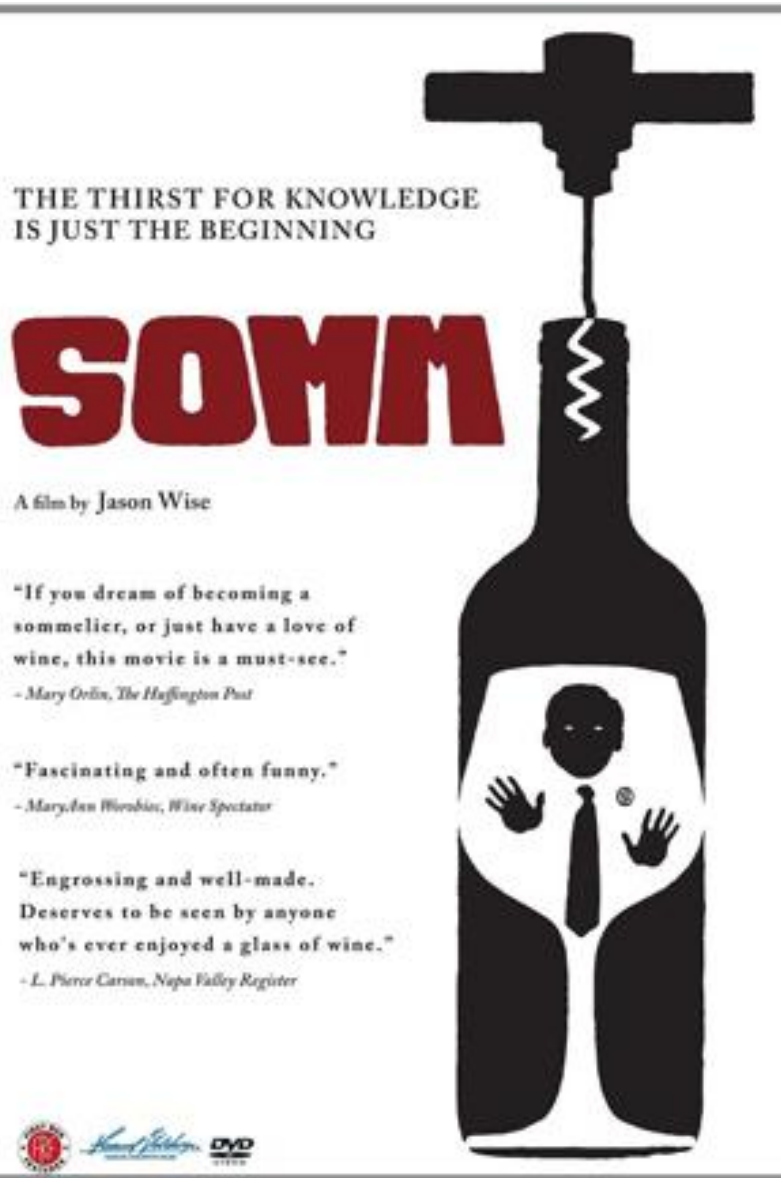
Standard
microscope



Lensless
microscope



EXAMPLE 1: LENSLESS MICROSCOPE → AN OPPORTUNITY



A LENSLESS MICROSCOPE FOR THE WINE INDUSTRY:
ANALYSIS OF THE BUSINESS OPPORTUNITY

TIAS

SCHOOL FOR
BUSINESS AND SOCIETY



EXAMPLE 1: LENSLESS MICROSCOPE → EFFECTUATION



University Professor →

Authority: Access to academic network

Position: Access to research grants

Italian: Access to language and culture of #1 producers

Business School Student →

Time!

Business knowledge

Possibility to ask questions as student

Further insight: young generation is taking over!

GOAL:

Explore the possibility offered in this sector, and, in case, pursue the business opportunity.

AFFORDABLE LOSS:

Time and emotional costs, no personal money.



EXAMPLE 1: LENSLESS MICROSCOPE → RESULTS OF STUDY

Good opportunity (if the microscope does what it promises to do);

If first deployer in Italy, first mover advantage should be sufficient to keep competition at arm's length;

Established connection with 2 early adopters (authorities in the field);

Test it with users!

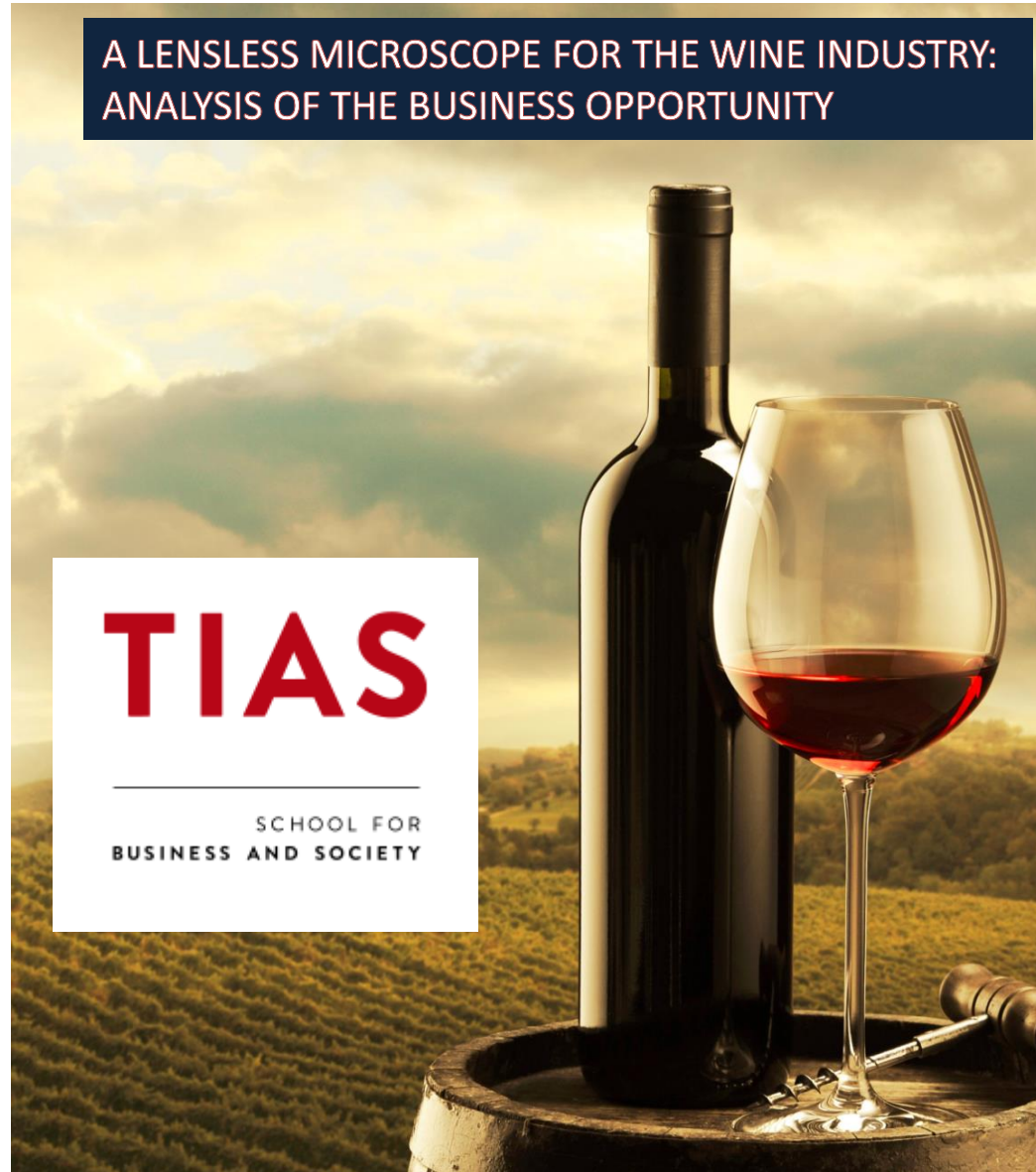
Look for funding



A LENSLESS MICROSCOPE FOR THE WINE INDUSTRY:
ANALYSIS OF THE BUSINESS OPPORTUNITY

TIAS

SCHOOL FOR
BUSINESS AND SOCIETY



CUSTOMER VALUE PROPOSITION



For young winemakers
who want to avoid the
risk of spoiled
production...

...we have developed a portable microscope for
at-line control of yeast cells.
It's an insurance against disaster!



GET RID OF CONSULTANTS



REDUCE RISK



REDUCE COSTS



WHAT DO WE WANT TO DO?

A new company that initially focuses its business model on lensless microscopes for the wine industry?

→ Minimum Viable Product

M.V.P. TO 2 INNOVATORS



COLLECT FEEDBACK



ABANDON SHIP!

Loss: € 5,000

M.V.P. 2



WHAT DO WE WANT TO DO?

A new company that initially focuses its business model on lensless microscopes for the wine industry?

M.V.P. TO 2 INNOVATORS



COLLECT FEEDBACK



ABANDON SHIP!

Loss: € 5,000

M.V.P. 2



COLLECT FEEDBACK



ANSWER RESEARCH QUESTION



ABANDON SHIP!

Loss: € 40,000

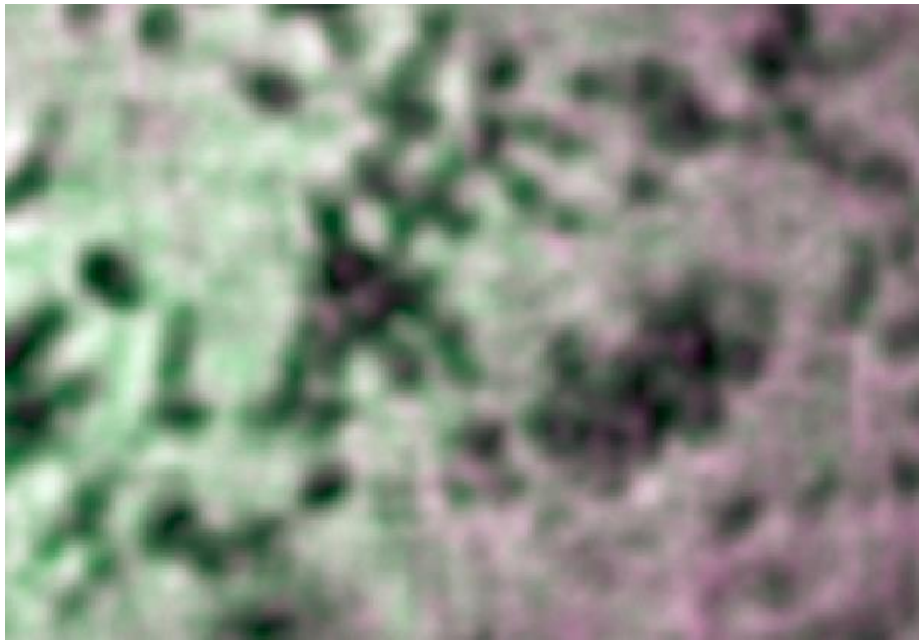
START NEW-CO

DESK ANALYSIS

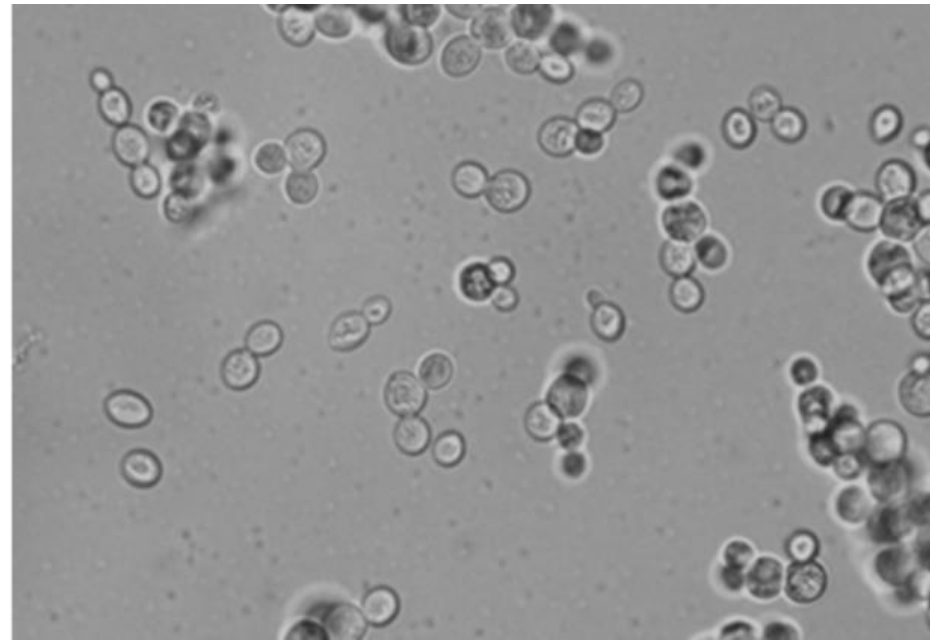


EXAMPLE 1: CRASHING ON A WALL!

THIS IS WHAT WE CAN OFFER



THIS IS WHAT THEY ARE USED TO



EXAMPLE 2: SIM2THINK

TIAS entrepreneurship course:

Challenge: develop a product and obtain commitments!

Our solution:

A game for TIAS Business School (co-development!!!)

WHAT DID WE USE?

- TIAS (former) students
- Academic teacher
- Preferential access to TIAS teachers
- Possibility to test it in my own courses
- Access to “nerds” programmers

SIM  THINK

MY AFFORDABLE LOSS:

- 500 euros
- some evening time
- criticism from students
- reputation with TIAS teachers

HOW DID IT GO? The team was not what I expected...pulled out after first test

TIME TO GET TO WORK

1. You have already read the Gravina case, right?
 2. Have you read the article from Sarasvathy?
-
1. Write a summary (200 words) that describes Danilo's dilemma;
 2. Prepare an 8 minutes presentation to analyze the situation in the light of effectuation theory and to suggest Danilo what he should do. Remember: in business, there is always more than one correct answer. Be creative!
 3. You will be presenting your slides later this afternoon; maximum two people per group can come up on the stage (although the others can participate to the Q&A);
 4. PLEASE: print your summary!