TE 250: From Idea to Enterprise
Week 1: Intro & Framework

Mark Karasek
mkarasek@illinois.edu
Safety reminders
Thurs | Aug 25 | 5-7pm
SIEBEL CENTER FOR DESIGN
EAST TERRACE & ROOM 1050
Join us and learn how you can develop your interest in innovation & entrepreneurship!

Wed | Sept 25 | 5pm
ENTREPRENEURSHIP HUB
1050 SIEBEL CENTER FOR DESIGN
Come learn about TEC’s annual Silicon Valley Entrepreneurship Workshop! The application deadline for the January 2023 workshop is Sept. 30.

Wed | Sept 27 | 5-7pm
ENTREPRENEURSHIP HUB
1050 SIEBEL CENTER FOR DESIGN
Come pitch your startup ideas, network, & find teammates. Or, just sit back & check things out!

Just for Grad Students!
Start taking TE classes now and apply by Sept. 15 for Spring 2023 admission. This concentration is officially recognized on your transcript. Learn more & apply at go.illinois.edu/eigrad.

Get the latest TEC news by signing up for our mailing list at go.illinois.edu/TECsignup
Course Objectives

1. Introduce the fundamentals of technology entrepreneurship through hands-on techniques that utilize Lean Startup methodology.

2. Provide an intro to fundamental startup concepts such as formation, financing and building a tech venture.
Course Structure

• Outside of class:
  • Weekly reading and/or videos
  • Occasional discussion board topics
  • Meet with your team
  • Complete stakeholder interviews

• In-class:
  • Work through examples with the tools
  • Guest speakers – entrepreneurs and venture investors
  • Breakouts mostly focused on team project
  • Occasional lectures – but not often

• Office hours:
  • See Calendly link on Canvas
Group Project

• The course is highly interactive. Participation in classroom discussions is strongly encouraged.

• The capstone is a group project that requires teamwork and time outside of the classroom to interact with potential customers.
Peer Critique

• All team members are expected to demonstrate critical thinking skills and support their conclusions in both written and oral communications.

• Students act as peer reviewers of classmates’ presentations.
Grading

• Individual assignments – relatively easy, just submit them on time
• Team assignments – one submission per team
• Midterm assignments and presentation
  • Team members get same grade for work product
  • Individual team members get grade for team participation
• Final assignments and presentation
  • Team members get same grade for work product
  • Individual team members get grade for team participation since midterm
• Class participation
  • Midterm and final presentation sessions are mandatory.
  • Peer assessment of final presentations are mandatory
Respectfully Direct

Ignorance
No change

Ignorance
No change

Mistrust
No change

Mistrust
No change

Manipulative Insincerity

Manipulative Insincerity

Ruinous Empathy

Ruinous Empathy

Care Personally

Challenge Directly

Challenge Directly

Growth
Profound change

Growth
Profound change

Defensiveness
Little change

Defensiveness
Little change

Radical Candor

Radical Candor

Radical Candor, by Kim Scott
...and a bit about me

Mark Karasek (mkarasek@Illinois.edu)
Clinical Assistant Professor, TEC

More than 20 years leading innovation and product development in the consumer and commercial durables space and working with start-ups to identify customer value insights and define business strategy.

• Important: It is Not What you Know but Who You Know…

• So what should you do next?
Graders

• Mahir Thakkar: mahirvt2@Illinois.edu
• Madeline Rodriguez: mgr8@Illinois.edu

Roles
• Share grading responsibilities – I will review all grading
• Facilitate during class
• Additional resources during breakouts - both completed this class last semester.
Discussion: Want will make this class a “6” on the end of semester assessments?

Take 5 minutes to think about it
Open discussion
Week 1: Introduction
The Facts

99.7% of all documented ideas fail.

75% of all VC backed ideas fail.

1. Why do they fail?
2. What can we do about it?

Share your thoughts
Why?

More startups **FAIL** from a lack of customers than from a failure of product development.
What must come first?

Your business idea needs to **solve a problem** your potential customer will **PAY** for.
Finding Your Right Opportunity

A Problem Worth Solving

Timely
Solvable
Important
Profitable
Favorable Context

The Sweet Spot

Like to do the tasks
Like the challenge
Committed to do what is necessary

Skilled at the needed tasks

Interests, Passions, Commitment

Capabilities & Skills
## Problem Statement Canvas

<table>
<thead>
<tr>
<th>CONTEXT</th>
<th>PROBLEM</th>
<th>ALTERNATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>When does the problem occur?</td>
<td>What is the root cause of the problem?</td>
<td>What do customers do now to fix the problem?</td>
</tr>
<tr>
<td></td>
<td>[Type here]</td>
<td>[Type here]</td>
</tr>
<tr>
<td></td>
<td></td>
<td>[Type here]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CUSTOMERS</th>
<th>EMOTIONAL IMPACT</th>
<th>ALTERNATIVE SHORTCOMINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who has the problem most often?</td>
<td>How does the customer feel?</td>
<td>What are the disadvantages of the alternatives?</td>
</tr>
<tr>
<td></td>
<td>[Type here]</td>
<td>[Type here]</td>
</tr>
<tr>
<td></td>
<td></td>
<td>[Type here]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>QUANTIFIABLE IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is the measurable impact?</td>
</tr>
<tr>
<td>(include units)</td>
</tr>
<tr>
<td>[Type here]</td>
</tr>
</tbody>
</table>
Problems Worth Solving

- **Teams:** ~8 teams of 3-5 people (Group formation will happen over the next 7-10 days)
- **Process:**
  - Step 1 (due Mon Aug 29, 11:59PM) Discussion Board
    - your ideas: identify “Problems Worth Solving” (at least 1 per student)
  - Step 2 (due Monday Sept 5, 11:59pm)
    - Google Form Link with all ideas will be posted on Canvas no later than Tuesday Noon
    - Vote on your top 3 choices.
  - Step 3 (Class 3, Sept 7)
    - Submitters of the Top 10 be prepared to present a 2–3-minute pitch on your idea, why it is worth solving, why you are the right person to solve it and who else (skills and values) do you need on your team to help.
    - 2nd half of class will be a breakout where submitters recruit their team members.
  - Step 4 (due Monday Sept 12, 11:59 PM)
    - Meet with your team outside of class to discuss what ground rules and meeting rules you will follow. Determine how you will communicate to each other and what team expectations are for responsiveness and participation.
    - One person on the team submits the list of your team members, your ground rules, and the problem statement you will be addressing.
Strategies for Brainstorming a Topic

Your Personal Experiences and Interests

What Do You Know?
Are you already an expert at something?

Don’t You Hate It When . .
Have you seen something you wished were fixed!

What Do You Love?
Do you want to help people?
Hobbies?
Strategies for Brainstorming

Five Common Attack Paths to Finding a Justified Problem

**Identify Problem**

- **Health & Safety**: People are hurt or killed by...
- **Legal Issues**: People are suing because...
- **Economics**: Lack of a solution to this problem costs.....
- **Technical Problems**: People are complaining about...
- **Educational**: Education programs exist to prevent...
Start with:

Who are you and what problems frustrate you and/or your friends/family? (alt: what do you care about?)

- I hate carrying an umbrella.
- My grandma fell last month and broke her hip.
- My parents can’t afford to put solar panels on our house.
- I hated having to share a microscope in HS.
- I hate when restaurants use disposable packaging.
Group Project Ground Rules

• This is a venture creation class, not a technology class. We assume the technology works. Tell us “what you do” not “how you do it.”

• Participation on a team is for educational purposes ONLY. It does not give you any right or interest in a company that exists or may later form.

• Company must leverage an innovation-based technology solving a problem that matters. (i.e., a product or service; no consulting)

• Company will require resources beyond your control.
First Deliverable: Midterm Critical Analysis

Team Presentation in-class
1. Market Validation: 1-2 slides
2. Competitive Analysis: 1-2 slides
3. Target Customer Segment(s): 1 slide each
4. Key Value Prop(s): 1 per customer segment
5. Advance/pivot/redirect: 1 slide
Innovation
Small Group Discussion Questions

What is innovation?
Is it the same as invention?
What is innovation?

Innovation “sweet spot”

Innovators translate ideas and IP into customer solutions that generate economic and/or social value.
Week 1
Innovation versus Invention

- **Invention:**
  - ...unleashing the potential of the mind to conceive new ideas...
  - Creating something new in the world...

- **Innovation:**
  - ... apply resources to a solution and reap a return on investment...
    - Solves a real problem
    - Creates value someone will pay for (or derive meaningful benefit from)
Small Group Discussion Questions

Is every new business innovative?
**SME** (Small Medium Enterprise)
Local Market Focus
Restaurants, Dry Cleaners, Services

- $\Delta t$ is short
- Linear growth (capped)
- Less investment required

**IDE** (Innovation-Driven Enterprise)
Global Market Focus
Products w/ Innovation at Core

- $\Delta t$ is long
- Exponential growth (uncapped)
- A lot of investment required
Entrepreneurs and Entrepreneurship

Delivering innovation to the market and getting paid for it
What is entrepreneurship?

Entrepreneurship is the act of identifying and exploiting an opportunity without being limited by resources currently under control.
What is an entrepreneur?

Entrepreneurs are people who identify and pursue:

- solutions among problems
- possibilities among needs
- opportunities among challenges

The entrepreneur provides the creative force that makes free enterprise work.

Entrepreneurs strive to make a difference in our world and contribute to its betterment.

They are also motivated by achievement, independence, and the accumulation of wealth.
So why would anyone do this?

**ENTREPRENEURSHIP**

*Is living a few years of your life like most people won't, so that you can spend the rest of your life like most people can't.*
Why does it matter?

• Small firms might be more likely to produce “radical” innovations
  – Henderson (1993)
  – Anderson and Tushman (1990)
  – Tushman and Anderson (1986)

• “.. are responsible, since 1945, for:
  – Over 50% of all innovations
  – 67% of inventions
  – 95% of all radical innovations”

National Commission on Entrepreneurship, 2002 from Timmons
Why does it matter?

Figure 1:
Startups Create Most New Net Jobs in the United States

Source: Business Dynamics Statistics, Tim Kane
Why does it matter?
Innovator’s dilemma

The 5 Laws of Disruptive Technology

- Resources are controlled by customers & investors.
- Big companies need big markets for growth.
- Markets that don’t exist can’t be analyzed.
- An organization’s capabilities define its disabilities.
- Technologies can progress faster than market demand.

https://disruptionhub.com/innovators-dilemma/
Why TECH ventures?

Knowledge, Intellectual skills
- Unlimited supply
- Easily sharable
- Difficult to measure

Land, natural resources
- Fixed supply
- Not sharable
- Easy to measure

Capital, Money
- Fixed supply
- Not sharable
- Easy to measure

Labor, physical skills
- Fixed supply
- Not sharable
- Easy to measure
Attributes of E’neurs

- Entrepreneurship is a process: not a single act
- Entrepreneurs are made; not born
- Entrepreneurs vary considerably in their capabilities, which can be improved significantly through experience and training.
- Existing organizations provide an environment that has a major—positive or negative—impact on the creative and entrepreneurial drive of their members.
- Entrepreneurs are not risk seekers; they are risk managers.
# The entrepreneurship journey: Personas

<table>
<thead>
<tr>
<th>Exploring</th>
<th>Ready-to-Go</th>
<th>RTG - 1</th>
<th>Intrapreneur</th>
<th>Amplifier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interested but has no driving idea or team; is in exploratory mode;</td>
<td>Chomping at the bit &amp; just wants help to get</td>
<td>Wants to be in a start up but does not want to be a lead (at least at</td>
<td>Wants to be an entrepreneur in an existing</td>
<td>Interested in understanding enough to successfully promote in their org</td>
</tr>
<tr>
<td>starts here but will migrate to another state or out of entrepreneurship</td>
<td>going – has idea, tech &amp;/or core of team</td>
<td>this time)</td>
<td>non-startup organization</td>
<td>(e.g., gov, corp, family business) but is not the direct venture creating</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>entrepreneur</td>
</tr>
</tbody>
</table>


Summary of week 1

• Finding a problem that matters is “table stakes” for building a startup.
• Innovation = solving a problem that matters and getting paid
• Entrepreneurs are made, not born
• Entrepreneurship is a major driver of economic growth
• Entrepreneurs are not risk seekers; they are risk managers
Getting ready for Week 2

• Do the two individual assignments – both are discussion boards
• Do the reading before class next week
Guest speaker

Jeff Carter

General Partner at West Loop Ventures
Co-Founder – Hyde Park Angles

Former Independent Trader – Chicago Mercantile Exchange

1984 BS in Marketing, University of Illinois