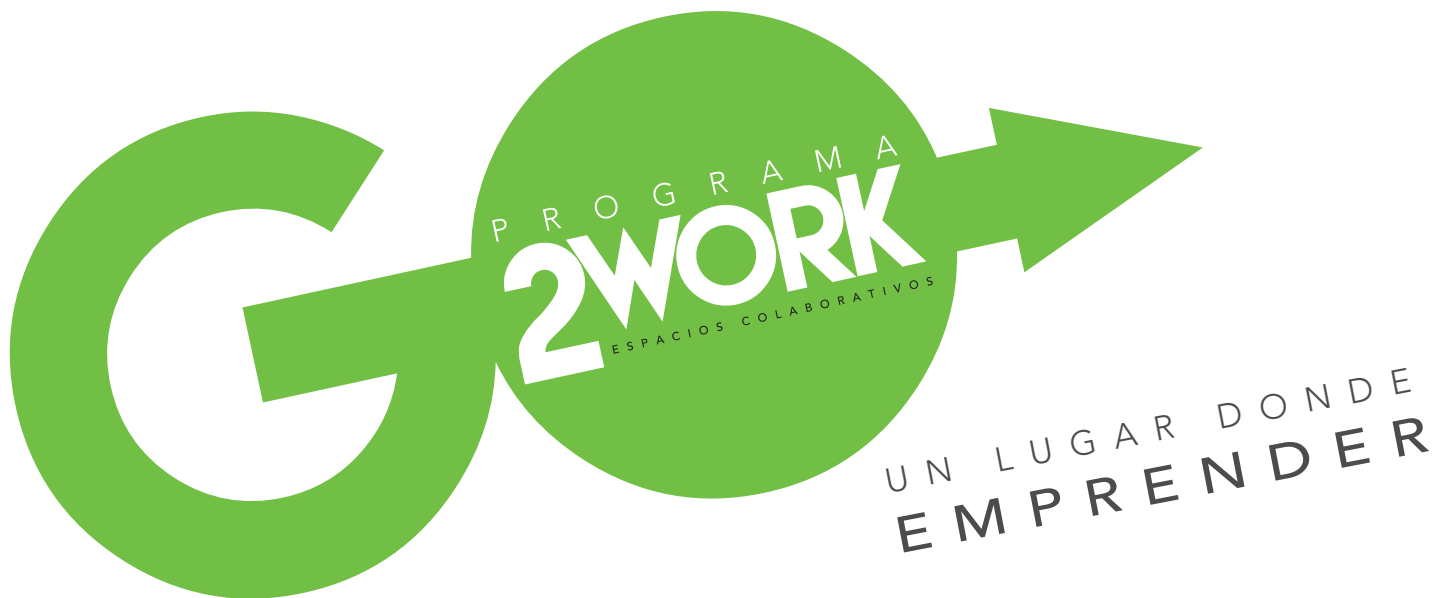


agile entrepreneurship methodology
for the **creation**
of **innovative**
businesses
the EOI experience



CREDITS

PROJECT COORDINATION

Miguel Sánchez Galindo
Innovation, Entrepreneurship and SMEs Director

Pilar Purroy Barceló
Projects Director

*Department of Innovation, Entrepreneurship
and SMEs*
Escuela de Organización Industrial

AUTHORS

M^a Ángeles González de Souza
Javier Martín Robles
Silvia Mazzoli
M^a Vicenta Pérez Silvestre
Francisco Javier Rivero Romero
Consuelo Verdú Saiz

Digital book available at:

<http://a.eoi.es/entrepreneurmethod>

Direct link:



ISBN

978-84-15061-72-4

LEGAL DEPOSIT

M-12687-2017

© Fundación EOI, 2017

www.eoi.es

Madrid, 2017

EOI is not responsible for the contents, information or views shared by the participants in this book, which are the sole responsibility of the authors.



**“We take care of the paper we use
to print this book”**

Printed on paper from sustainably
managed forests certified by the
Forest Stewardship Council (FSC).



This publication is produced under a Creative Commons licence, Attribution, Non-commercial, Share-Alike, (by-nc-sa). You may use, copy and distribute for non commercial purposes this document or part of it, provided its origin is mentioned and its licence is not modified. Read the complete license: <http://creativecommons.org/licenses/by-nc-sa/3.0/>

*To our entrepreneurs, for what we provide we get
twice as much from them.*

*To EOI, “la escuela”: thanks to its trust we
have the opportunity to pursue our passion for
entrepreneurship.*

TABLE OF CONTENTS

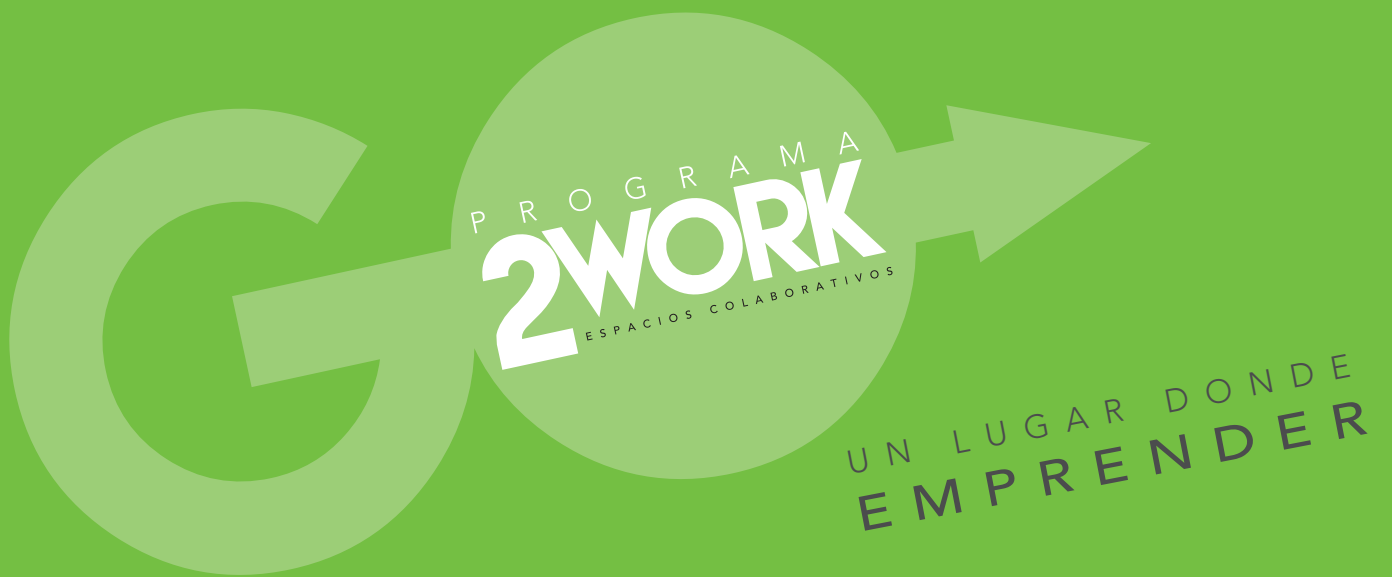
PROLOGUE	 9
Chapter 1	
INTRODUCTION	 13
1. Introduction	14
2. Why Lean Startup and Agile Methodologies?	20
3. Discovering the Entrepreneur.....	22
4. Different stages of project development. Organization by routes	27
Chapter 2	
PHASE 1 – BUSINESS DESIGN	 31
1. “From ideas to action”	33
2. Business opportunities and tendencies	33
3. Environment research.....	37
4. Identifying opportunities and observing the environment.....	41
5. The customer: Data and insights analysis.....	42
6. The idea: background and rationale.....	45
7. “From an idea to a business model”	47
8. The value proposition.....	48
Chapter 3	
PHASE 2 – LEAN STARTUP. VALIDATION	 57
1. “From action to validation”	59
2. Lean Startup. Key Principles.....	61
3. Customer Discovery Process	63
4. Early Adopters. Problem-Solution Fit	64
5. Determining the business model hypotheses.....	65
6. Problem Validation: Interview Design	68
7. Analyzing the results of problem interviews	71
8. Solution Validation.....	71
9. Analyzing the results of the solution interviews	73
10. Customer Validation: Market-product fit.....	73
11. Validating the communication and sales channels. Lean Marketing	73
12. First figures: costs-revenues. Pre-Finances.....	76
13. Decision-making: To pivot or to continue.....	78

Chapter 4	
PHASE 3 – PLANNING	79
1. Towards a scalable enterprise: Planning phase	81
2. Strategic Objectives.....	82
3. Designing the team	82
4. Marketing Plan	88
5. Legal and Tax Plan.....	93
6. Operational Plan.....	94
7. e-Financial Plan (tool).....	98
8. Implementation Plan	101
Chapter 5	
ABOUT THE AUTHORS	103
Chapter 6	
BIBLIOGRAPHY AND REFERENCES	107
Annex 1	
THE LEAN BUSINESS MODEL EOI COWORKING PLAN	109
1. Introduction	110
2. Designing the business model	110
3. Planning.....	112
Annex 2	
HOW TO USE CROWDFUNDING WITHIN EOI'S AGILE ENTREPRENEURSHIP METHODOLOGY FRAMEWORK	115
Annex 3	
IDEAS FOR A MENTORING METHODOLOGY AT EOI'S COWORKINGS	121



*This manual comes with an ‘e-Financing Plan’
Excel file to carry out financial simulations.
This e-Financing Plan model may be consulted
and download at
<http://a.eoi.es/entrepreneurmethod>*

PROLOGUE



UN LUGAR DONDE
EMPRENDER

The paradigm of an entrepreneur is to transform his idea into a potential product to be introduced on the market with sufficient guarantees, especially with regard to consumers.

The crash between voluntarism (from the entrepreneur) and the market reality is the main risk, and therefore the first question to be addressed.

Other challenges may come after this first one, such as technical, economical, technological, and issues concerning production, management, etc. All of this leads to a strategic thinking about the way of doing things.

Implementing activities and executing actions applying a suitable methodology enables the risks to be avoided and assures achieving the goals more easily. By methodology we mean all concatenated procedures to be followed and used in order to achieve specific goals. The methodology will actually take the form of adequate methods to be applied to the concerned objective.

Any venture assumes an activity oriented to get accurate and sustainable results from the entrepreneur's dream and primary idea. Thus, it requires an already proven methodology that will pave the way. Moreover, we know that the entrepreneur's path is full of difficulties, obstacles, challenges and frustration. And this is precisely the reason why an entrepreneurship methodology requires a special value that is composed of three variables:

First of all, it should be an agile methodology. By "agile" we mean flexible, adaptable to all kind of ventures and its different levels and stages. But it should also be easy to apply by entrepreneurs and considered general in terms of its capacity of adaptation to contents, works and people.

Secondly, it has to be a complete methodology, allowing the organization of procedures from the beginning of the process until the culmination of the idea. By "complete" we mean also logical, strategic and planned. In this way the entrepreneur will follow the steps knowing that they will take him/her to the goal. This has to be a valid methodology for the conception phase, business model generation, startups and even for planning and final execution.

Finally, it has to be proven. New methodologies always bring risks and should be carefully implemented. But in case of entrepreneurship we can't take additional risks; that is why the methodology has to be tested and effective.

"Agile Entrepreneurship Methodology For the Creation of Innovative Businesses" stresses the experience that EOI has acquired over 20 years of working with entrepreneurs, boosting thousands and thousands of projects.

I would like to underline that a methodology without actions and actions without learning will not lead to any result. Thus, the right consciousness and the capacity to incorporate, assume and learn (learning chain), is a condition to avoid early failures, discouragement or simply dispersion.

Moreover, any methodology inherently carries behaviours that are essential for entrepreneurs. On one hand technical and professional skills, on the other hand personal requirements that can be classified



as: commitment, constancy, enthusiasm, work dedication and passion. Those are key words to grow and be successful.

For this reason, we present a methodology that is considered essential for entrepreneurs. A theoretical and practical set of tools that has to be followed and respected, since its results have been effective and have allowed thousands of projects to make a reality.

For many years EOI Escuela de Organización Industrial has incorporated to its strategic DNA a great ability for helping and committing with entrepreneurs. To accompany the evolution process of an entrepreneur is helping to create and build a socio-economic scenario that represents sustainability, employment, creativity, innovation, balance and future.

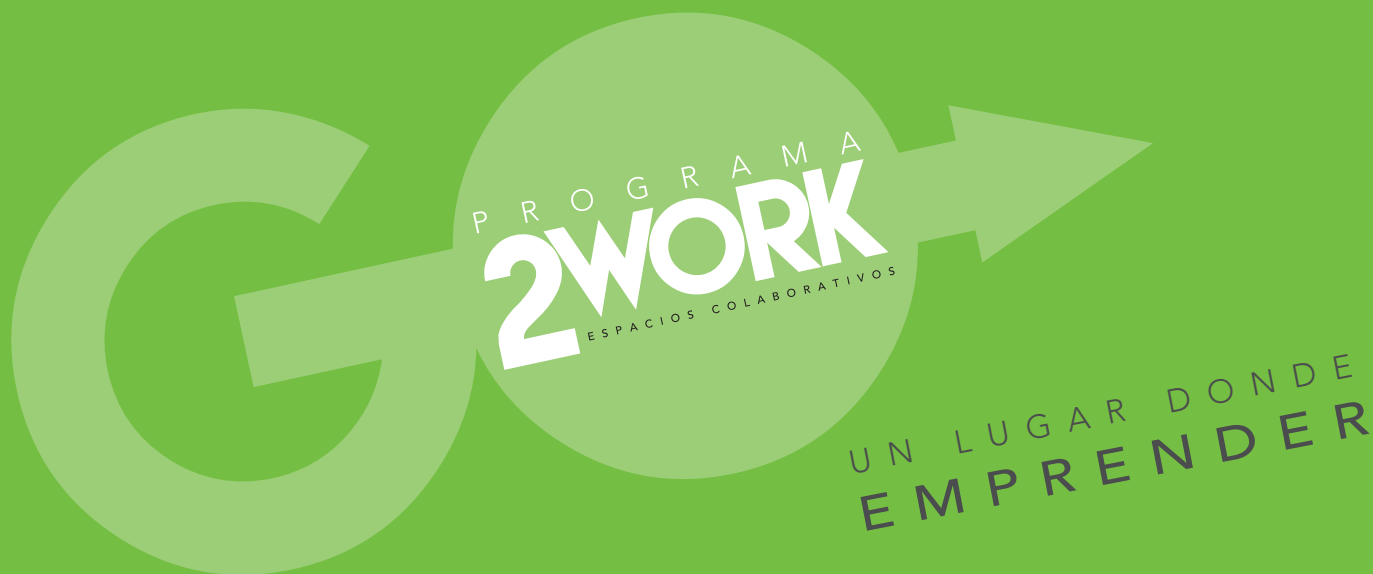
Fernando Bayón Maríné

Director General

Escuela de Organización Industrial

1

INTRODUCTION



1. Introduction

Today society is undergoing a so-called organizational, socio-economic and digital revolution. The business environment has not escaped these drastic changes. Indeed, the world of business, in all its aspects, has never been so unpredictable, uncertain and convulsive as it is now.

We are living in a rapidly changing world in which, as well as substantial changes in patterns of integration and commerce, traditional rules for the exchange of goods and services have also been challenged. We are being forced to move within a framework for action in which it is increasingly complicated to differentiate ourselves through quality and effectiveness, and in which the only relevant question is how to create value for the user.

Innovation is now a strategically vital resource for companies. This is happening at the precise moment in which competitive advantage is being built from experience. The concept of innovation is thus based on the possibility of offering values that users demand and recognize. Market customers no longer respond to the now obsolete concept of innovation based on dynamics that are predictable or gradual. Customers have also changed and expect different solutions in an environment with yet-to-be explored opportunities. The only way we can ensure predictability is by focusing on changes in peoples' attitudes and on the organizational capacity of teams and organizations to communicate rapidly what each one of them forecasts. This real time information enables companies to modify their course of action without having to cease their activities. True innovation is therefore based on people in a new business culture focusing on changes in both their environment and among their customers.

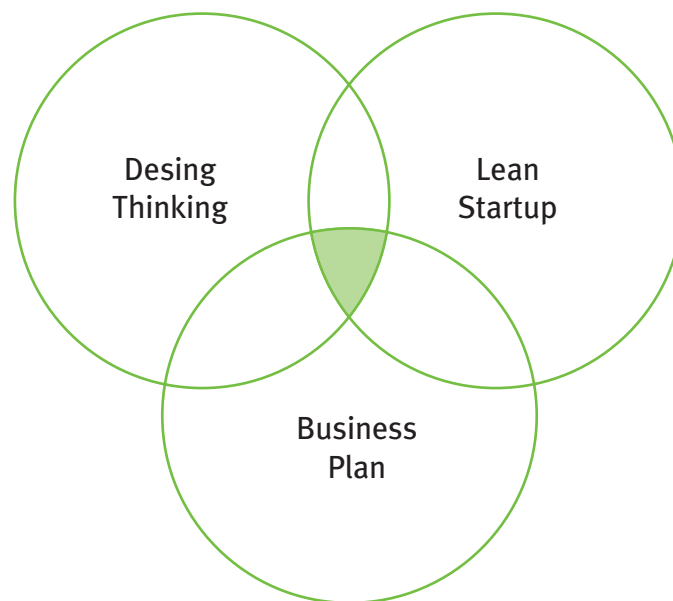
In a world marked by hyper-connectivity and the rapid pace of change, the power of consumers; their tastes, preferences and, especially their role as opinion leaders, have become key determining elements.

“New times, new Business Models”. Design Thinking and Lean Setup

We are currently witnessing an unprecedented process of change in organizations. This change is based upon 3 basic pillars: adaptation, nimbleness, and alignment of teams in order to guide processes that seek increased knowledge of the customer and a better society.

This is why New Business Models naturally tend towards strategic approaches. New Models are, and will be, based upon innovation and knowledge as the essential foundations for the achievement of sustainable competitive advantage.

In a future characterized by high uncertainty we use a set of methodologies focused on innovation to help us predict new business models. These methodologies are **Design Thinking** and **Lean Startup**:



In a changing environment with uncertain frameworks, **Design Thinking** has emerged as the most used and recognized methodology for the creation of Business Models and strategic planning, as well as for creative problem-solving and concept development. This approach has proved a valid option for those involved in designing solutions that aim to **solve real problems** and that succeed in significantly **reducing** the **uncertainty levels** which we face: the problems that **consumers demand solutions** for.

From this perspective, **innovation** can be considered as something innate that emerges from the direct vision of the observer: a careful observer trying to understand the bigger picture, the context, and existing connections between different problem components. From this perspective specific solutions are considered with types of responses that allow no room for the limitations of readymade recipes. This philosophy is based on the following key processes: devising, empathizing, defining and generating a prototype, and testing.

From the start, though a first broad-minded approach, the value proposition is not limited to the simple designing of a solution but to establishing itself as a way of relating with a world of collaborative entrepreneurs who, beyond being simple competitors, are part of wider networks. These networks are easy to learn and collaborate with. Indeed, this is one of the most tangible features of the **Co-working** concept.

In this new model failure is assumed as part of the entrepreneurial process and as an element from which important conclusions must be extracted in order to continue to make progress. "*Fuckup nights*" are a clear example of this tendency. Developed in Mexico, and now implemented in more than 160 countries, *fuckup nights* take place in a friendly and relaxed environment in which experiences are shared about... **failures**. In a business culture that sees success as the beginning and the end of everything, these events promote an empathetic and open attitude, values that in our current society are indispensable for continuous learning. Participants listen directly to where and why key players failed, what they learned from this, what they felt and, in spite of all the odds, what "artillery" they used to move forward.

Sharing these experiences of failure not only encourages others to try not to repeat the same mistakes but also to achieve a cooperative climate among companies themselves.

This **learning from an error** or, better still, learning from mistakes, comes from an inclusive mindset that is inherent to the DNA of Design Thinking. Ingenuity does not come from a quick glowing spark nor is it set off exclusively by genetic material. Hidden within the brilliant processes of the key start-ups of new economies are methodologies and the **Design Thinking** spirit. This new approach is achieving great success and has found an ideal space for its development in the concept of **Co-working**.

The future is unpredictable and the pace of change unstoppable. As a result increasingly informed consumers have a wide range of alternatives. From this point of view, the concept of **Design Thinking** may be defined as a **philosophy** focused on the user whose objective is to offer solutions that are based on their current problem areas and needs.

Lean Startup embraces the same spirit; designing a carefully thought out methodology applied to business in a context of high levels of uncertainty. **Lean Startup** represents a new approach through which, from hypotheses generation – about customers, their problems and proposed solutions – different validation procedures are proposed to create an accredited learning system in which iteration with future customers, and agile development through experimentation will enable us to generate value for our clients or users.

As a result of this learning process, when uncertainty has been significantly reduced with real information about the market, the Start-up will move to **Planning Phase** in which appropriate marketing and financial plans will be developed. This also involves the development of a working and operational team.

The Mentor and entrepreneurs. EOI Coworkings Network

Within the framework of entrepreneurship programs, the national co-workings network created by EOI has proved to be efficient at building projects and offering training and support for entrepreneurs.

“EOI has been developing programs to support entrepreneurs and SMEs across Spain for more than 20 years, thus helping in the creation and expansion of the Spanish entrepreneurial ecosystem. During these years the levels of activity have been similar; consistently focused on business creation training programs that we have transformed into business acceleration programs where support is provided for their actual implementation.” (F. Bayón. EOI Managing Director, 2016).

In practice **EOI** is following a logical path that is **coherent with market requirements**. This route is in tune with broader trends in the use of **new working methods** and the current economic situation. The experiences gathered during this journey have encouraged the design of an **innovative methodological approach** adapted to the **needs of entrepreneurs** as well as to current **market requirements**.

Depending crucially on its location and activity level, the internal organization of co-working admits a degree of flexibility. Co-working spaces, like all the academic activities conducted by EOI, are positioned within the institution's quality management system which, although not the reason for this methodology,



ensures the quality and success of our activities. Notwithstanding the above, the co-working design proposed here contemplates the existence of the following figures in all cases:

- Resident Mentor.
- Project Mentors.
- Expert Mentor.
- Workshops Experts.

Three figures will remain in place from the start to the end of the co-working period and will be carried out by EOI's Direction and Coordination team acting as leading managers of the activity:

1. **Resident Mentor** for the entrepreneurs. This person is the **leading** co-working figure. They are responsible, among other things, for **naming and selecting** participants, **designing** workshops and **coordinating** project and expert mentors. They are a stable figure that is a central and constant presence. The Resident Mentor, by observing and interacting with entrepreneurs, provides an overarching perspective on the development of projects and **encourages interrelation and synergies among them at all times**.
2. **Project Mentors** are, after an initial assessment of both the situation and characteristics of the project and the entrepreneur, responsible for designing the **roadmap** which will be followed over the duration of the program. This Mentor **assists the entrepreneur during the five months** in which the project methodology is applied and provides **guidance, encouragement** and support for everything they might need.
3. **Expert Mentors** have particular areas of expertise and provide support at the mentor's request and/or in situations when deeper knowledge is required by the entrepreneur. The type of training they provide is usually highly specialized and dependent on project specifics. These Mentors contribute to **streamlining the problem resolution** in real time and provide the program with **extraordinary flexibility**.

There is also a fourth figure: **Workshop Expert**.

Throughout the program, after the design is proposed by the Resident Mentor and feedback received from Project Mentors, the entrepreneur is offered requisite knowledge and tools through **specialized workshops** with a clear **calendar** adapted to the different **phases of the Lean Startup methodology**. There is sufficient flexibility to allow for modification and/or expansion of the original workshop design based on improvement criteria that respond to new needs detected during the development of the program.

The **special added value of this program** is that, prior to their intervention; trainers/speakers **are informed** by those responsible **about the business ideas or the start-up projects** that form part of that co-working session. In this way the **achievements** of these workshops **increase** exponentially as **presentations are**

“customized” for participants. At the same time entrepreneurs are encouraged to identify themselves with all the processes that form part of this methodology.

As a preliminary step towards the development of the processes and methodology our objective is to transmit the **underlying philosophy of the mentor-entrepreneur relationship**. The basis and principles underpinning co-working and philosophy behind the Design Thinking and the Lean Startup methodologies are present from the very moment that an entrepreneur chooses to become part of the program.

The approach, focus and perspective of those responsible for the program are also important. From their first contact with a potential student until the selection of participants, they provide the nurturing environment upon which the program is based and identification of the basic attitudes and skills required from candidates. Awareness among those responsible for candidates is vital in enabling the generation of an adequate working environment and the encouragement of synergies among the group members. These elements are the essential reason for the existence of co-working.

We will thus focus briefly on the features and attitudes that those responsible for the program will seek to detect from their first contact with candidates.

Selection of candidates and “Design Thinker” personality profile

“To be an entrepreneur is, above all, an attitude”

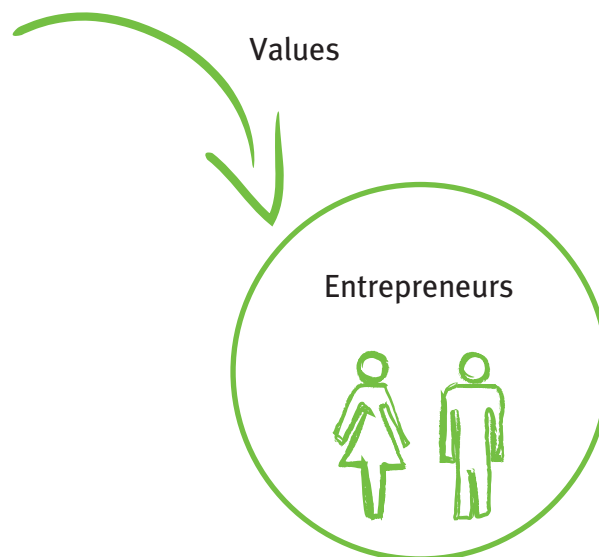
It is helpful to internalize this concept and take it as our starting point. This is because, in practice, we work on the assumption that a candidate who opts to becoming part of a co-working project does not necessarily have to have previous experience of creating a company or business activity.

“To be an entrepreneur” is about people who are capable of identifying an opportunity and organizing the necessary resources to develop it; people endowed with a positive attitude towards new challenges and projects.

We can now move on to identify the key features of the **personality profile of an entrepreneur** which, in the scenario described above, would be associated with the **profile of the “Design Thinker”**. We are not referring to a design in the strict sense of the term but rather to the ability to observe through the *lens of a designer*:

- **Empathy:** A person that looks at the world from multiple points of view; who sees things that “others cannot see”; who considers latent needs and interprets the actions of a person in terms of both their verbal and non-verbal communication in order to translate them into opportunities for innovation.
- **Inclusive thinking.** Refers to the ability to see beyond existing alternatives; to be able to generate hypotheses from opposing and/or irreconcilable concepts to enhance user experience beyond, and in line with, the product itself.

- **Optimist.** Recognizes the lessons that can be extracted from an error; assumes that errors are often inevitable but that, in spite of this, a decision to move forward can be taken. Redirecting. Pivoting.
- **Open to experimentation:**
 - To learn.
 - To open up ways of doing things.
- “Work to think” rather than the traditional “think to work”.
- Solves mysteries, not puzzles: there are no clear rules and results are open-ended. This is precisely where one of the most relevant added values of “design thinking” lies.
- Shows a disposition for working **in a team** and, where and when necessary, with **transdisciplinary collaboration** rather than traditional interdisciplinary collaboration. Organization of this kind of working group feeds from the same spirit as the “design thinker”. Our definition of a transdisciplinary team is a group of professionals specialized in different areas that work together by interacting; sharing information, knowledge or skills, and transcending their own disciplinary space. This interrelation among experts represents **knowledge appropriation and continuous learning for team members so that a higher level is reached in which their disciplines complement one another**. Each discipline shifts from the central place occupied by the topic or issue to the specific demands that need to be addressed.
- Student-entrepreneur’s disposition, open or positive attitude to working with **design tools**: brainstorming, focus groups, storyboards...



In practice: When and at what times? For which processes are the attitudes/skills outlined above required?

a) At the **start** we need to make choices that adapt to our methodology:

- As “guidance” for the mentor - so that they can detect entrepreneurs with the requisite attitudes and skills from the start.
- For the entrepreneur - so that they see themselves reflected in this way of thinking and can adopt an open approach.

During the **entire process** of the Lean methodology, particularly the following “moments of truth”:

- Generation of hypotheses.
- Creation of experiments.
- MVP Development.
- Design of parameters.
- “Unusual” sources of income proposal.
- “Key partners” proposal.

2. Why Lean Startup and Agile Methodologies?

As outlined above, Lean Startup methodology, Customer Development and Agile Development are increasingly being used as systems or processes for the creation of projects and new businesses. This is particularly the case for innovative projects where **levels of uncertainty are reduced as more information and feedback is received from initial customers**. The objective of this new business concept is to be able to experiment rapidly with a business idea or new product.

Less than ten years ago, for any kind of entrepreneurial initiative, the model used for creating companies and new businesses was one which focused on developing a product in a cascade manner. Here, a newly created company would identify itself as a smaller version of a company that was already established and consolidated in the market. This approach is now limited as an entrepreneurial model as the “traditional” methodology adopted is not designed for innovative ideas or entrepreneurial projects where a shared variable when launching these initiatives is a high level of uncertainty. In the current environment its use is limited to more conventional business projects where levels of uncertainty are not that high or where the level of understanding of market variables such as customer behavior, price sensitivity and distribution channels, among other determining factors, are well-known.

A **new way of obtaining information on the emerging business idea in a rapid and agile manner** is enabled by the adaptive model used by technological start-ups. This has shown excellent results and is currently more popular than the predictive and traditional model (which is unusable for businesses with a high level of uncertainty). This new model is now being followed by a multitude of entrepreneurial and new product launch initiatives in organizations and companies.



In our opinion these agile entrepreneurial methodologies are being widely implemented as working system by entrepreneurs and start-ups – not just in the technological sector – due to three reasons:

- One reason is that the start-up's **own peculiarities** mean that it has been created as a temporary initiative to transform ideas into a business. It has therefore adopted a working system based upon a continuous search for a profitable and sustainable business model where data collection on clients and/users and their behaviors is essential.
- A second reason relates to **the experience** shown in entrepreneurial statistics which tell us that a large majority of entrepreneurial initiatives do not survive within the first three years of activity. The main cause of this failure is the absence of a market or of customers willing to pay for the product or service offered.
- A third reason is concerned with the **changes** experienced by today's **customers** who, thanks to the democratization of new technologies, particularly access to the Internet, are now more accessible to companies and organizations and who are often willing to participate in the process of designing or making a product or service (prosumer).

These new entrepreneurial methodologies are essentially based on **quickly understanding what it is that works in the product, project or business** so that knowledge is validated and whatever does not add any value to the customer is discarded. Such validated learning is at the heart of these new entrepreneurial methodologies whose main focus is on interaction with the user from the very start. This is endorsed by data obtained from short-term testing of the product or business with real clients and/or users (hence the name 'agile methodology'). The information from these first customers is of great importance for adapting the product or business to particular needs so that they can be improved in line with the feedback received.

Lean Startup methodology has its origins in **lean manufacturing** used by companies from the automobile industry sector, such as Toyota, in order to identify and discard anything that did not add value (benefit to the customer) and thus avoid wastage. Although it is true that start-ups from the technology sector have been the main followers of this agile methodology for creating companies, today it is increasingly expanding to other sectors (including the public sector) as an effective entrepreneurial methodology for new ideas and projects. It is, in reality, simply a system of user-focused continuous innovation where the learning cycle is iterative and extremely short.

Create, measure and learn is the *mantra* repeated again and again by start-ups that have adopted the Lean Startup methodology as their business learning system. This is because it is always necessary to test, validate and incorporate the knowledge obtained from early customers (early adopters) into the company. This process of validation takes place by *getting out* and looking for first clients or users so that they can provide us with information on how to improve or finish our product, service or business model.

This is carried out using the so-called **minimum viable product: MVP** (a set of minimum features that a product or service has to have in order to obtain information from clients and/or users). With a MVP we cannot expect that our product or business model will be totally completed and/or perfectly finished and polished for launching on the market. As the degree of acceptance is the same, it is necessary to try and

test it by means of a prototype, experiment, a simple video, scale model, surveys (“anything inexpensive but not shabby”, as our colleague Nestor Guerra would say), etc. The information obtained will be useful for enabling us to continue completing the product or business until its definitive market launch. This way of working is far-removed from the traditional product development cascade approach mentioned above where a longer incubation and reflection period was necessary and where the focus was on a totally completed and improved product prior to its introduction on the market.

If the data and information received tell us that the hypotheses proposed at the start are inadequate, the strategy can be changed and **pivoted** (a planned strategic adjustment) towards new hypotheses regarding key elements of the product or service that gradually assist in reducing levels of uncertainty.

The sad reality is that the majority of start-ups fail because the products and services they offer are not of real market interest. This is usually manifested after much time and effort has been dedicated to developing the product, designing and planning the service, and elaborating a business plan, etc. This is where we believe that the Lean Startup methodology could be really useful as, within a couple of months, entrepreneurs can identify and test their hypotheses: customer profiles; the most valued functions or benefits of the product or service; marketing channels; and even the price customers are willing to pay - all in a quick, simple and economic way.

Lean Startup by Eric Ries, as well as the **Business Model Canvas** by Alex Osterwalder and **Customer Development** by Steve Blank are some of the agile entrepreneurial methodologies that are reformulating existing approaches and changing the way products and new business models are being launched.

3. Discovering the Entrepreneur

Whether you are helping to assess the potential of an entrepreneur or are a reader thinking about starting a new enterprise, the following paragraph will undoubtedly provide you with a first introduction to what we call: “Entrepreneurial identity”.

It is not a “traditional” questionnaire and does not seek to provide a detailed rationale for becoming an entrepreneur.

The aim of this chapter is to offer a number of pointers that can provide a quick way of obtaining a clearer vision of the level of affinity, proximity, connection and closeness to the concept of an “entrepreneurial environment”.

The following questions thus have an impact, directly and progressively, on the concept of “entrepreneurial identity”.

What we are offering here is a tool for consideration and reflection that encourages a first approach and helps shed light on the initial concerns faced by the potential entrepreneur.



Whether it is carried out from the point of view of the mentor or entrepreneur, this exercise provides valuable information in a few minutes.

Let us begin:

Have you ever considered starting a business and then thought that:

- “Nothing is easy. Everything looks very complex”?
- “Is it never too late or yes it is”?
- “Is to be an entrepreneur really *an attitude*?” “I have never started a business...”

To try and help you assess your identity as entrepreneur you can use a questionnaire or a traditional test as your starting point and establish an assessment for each type of answer. Like other tests that you may have done, according to the score obtained you will get an idea of your “entrepreneurial level”.

Although similar in objective to traditional tests, what we offer below is a version that enables you to obtain your own conclusions about yourself in terms of being an entrepreneur.

We invite you to scan a series of values, attitudes, situations, thoughts as well as a few reflections. The majority of the themes proposed coincide with those included in traditional tests. This is because what we is outlined below, as in traditional tests, is an indisputable part of an entrepreneur’s DNA.

In our case we will not carry out a numerical assessment. There are no good or bad answers. Nor is there a scale of best to worst as this is unnecessary for self-recognition.

We have divided the chapter into four sections. These sections appear as a succession of “phases” that correspond to natural sequences in the life of a person and its temporal and logical progression. At the end, in order to assist you to *situate yourself* and help your thinking, we have included a selection of thoughts, ideas, situations, and reflections...

You do not need to feel that you must identify yourself with all the elements proposed here, nor that you feel “this is me” in every phrase you read. That would be far from our intention. Our aim is simply for you to read, consider and try to internalize these topics and assess whether the essence of what they reflect somehow corresponds to your own particular journey. We hope that this will help you to determine whether a particular “tune” or discourse feels familiar or close to you and that you are identifying yourself with them, even if it is only because they have managed to “move” you at some point.

We have no doubt that at the end of this chapter you will have the answer - without ratings or numerical assessments. You will simply know.

Our intention from the start of this document is that you should use your own intuition, nothing else. As an indispensable starting point, listen to and look inside yourself.

Background: Why are you here?

- I often feel that there is something missing, I could do more: “This is not what I want in my life”. I have to change.
- You hear a voice saying “I want to do something on my own”. Create.
- I have experienced the feeling that it is “my moment”. I need ACTION. I need to try.
- I don’t see many ways out: banks, lack of understanding for my plans and their rejection? Barriers, doors that are always shut?
- I ask myself: Where shall I start? What would make me *take the leap*?
- Is there another way?
- I have started to look for other alternatives. Something is pushing me to think in the long term.

Your principles

- I believe in myself. I am determined. I trust myself. Self-esteem. Wishing to improve.
- Empathy is something natural in me. I can easily interpret gestures and glances, not just words.
- I am responsible.
- Creativity flows within me. Initiative. I am proactive. I anticipate. I can see “beyond”.
- I have courage. I don’t give up. I persevere. Optimist. I am resistant to frustration.
- In the light of difficulties: I am part of the solution, not the problem...
- I don’t resign myself to things. I like doing things well. Integrity. I have a will to succeed.
- I learn from others. I can recognize values in other people.
- I adapt rapidly to changes.
- I am motivated. I enjoy what I do very much. I have hope and the capacity to inspire hope in others. Communication skills.
- I am daring. I am different. I am determined. I take risks. I am bold and clever.
- I am passionate. I am dedicated. I love what I do; I am fully committed to what I want.
- I sometimes find within myself the ability to see things in perspective with a global vision.

Your career

- You don’t remember how long you have been asking yourself: Why? Why? Why? Since when have you questioned so many things? In spite of what you have learned, in spite of what you are required to do, in spite of going against the flow, even in spite of who is telling you.



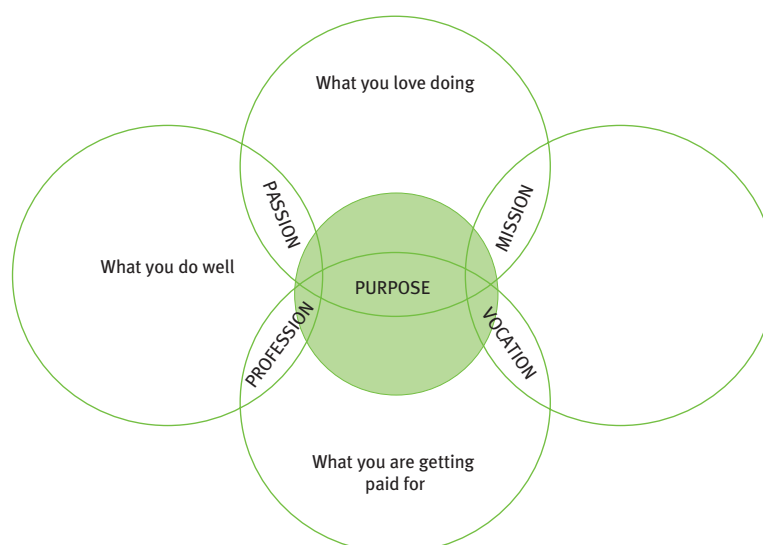
- You have often felt afraid when you hear: “Do it the traditional way”. You are unprejudiced. That “is not you”.
- You don’t know how many times you have felt “different”.
- When taking a chance you have been lonely. A more difficult start than you would have expected.
- You have passed the phase in which nobody helps you. DO THEY CALL YOU CRAZY? IRRESPONSIBLE? EVEN A MISFIT?
- You realize that their arguments often do not “convince you”. You listen to others. YES. But immediately afterwards you know that you have to follow your intuition. And, although you sometimes forget, there is something within you that knows that this is the only path towards guaranteed success.
- You begin to discriminate: Fighting? Yes. Fighting against the flow? No.
- There have been moments where you question everything: Yes, we can. And why can’t we? You come up with new solutions to old problems in a natural way.
- Little by little you are learning to “get it out and communicate”.
- There have been moments when you have realized that it is not just about accepting challenges. That is not enough for you. You have discovered a strange pleasure in *going after them*. Looking for new challenges: your own challenges.
- You have experienced an energy “boost” for every phase you have passed through and for every achievement.
- It has come to a point where you have discovered that things may not happen rapidly. That the most difficult path is also the shortest. Actually, you end up discovering that there is only one path.
- On this journey you have already learned that failure has to be accepted otherwise there would be no success. Like a universe in balance, you have started to learn from your own errors.
- When dealing with a problem you learn how to “turn the tables” and, although it requires lots of effort, you think about perspectives that you wouldn’t usually consider and reach the conclusion that there is always another interpretation that may be more favorable - not necessarily better, but certainly different from what you expected. And you are still learning from mistakes.
- You understand that you have unlimited energy. There were always “closer” things. Ideas, solutions, businesses that you have been collecting throughout your story. You understand that the key is within them.
- At a certain point you understand that inspiration and motivation are energy. For you, this is not an effort.
- That phase where you realize that the “team” has arrived. You respect the team. You learn and create with the team.
- You have become more pragmatic. You discover the here and now as a starting point, and you do not forget that every moment is “here and now.”
- You use perfection as an excuse. It is like “falling in love” ...you cannot stop doing it.

Your dreams

- Bring the creativity out. Visualize your dreams. Put them into practice.
- Being able to say “I am going to achieve it. I know how to handle the situation”.
- Learning to create value. Something that matters, something necessary.
- I want to build “my story”. Something that is mine.
- Get everything out. Give everything.
- I want to feel connected. I want to take part.
- Happiness.

Your expectations

- Everything is useful; all your work, all your efforts. Actually it is.
- Visualize them and go for it: have a clear and sustainable goal. Create a habit, “my habit” in order to succeed.
- Always keep focused to survive: take the effort seriously.
- People need to know what they don’t know. I don’t know, but I will.
- A creed: “Work to think...rather than think to work...”
- No one will set my boundaries because my life is defined by passion. I would do it for free.
- My great hidden challenge: to solve an everyday problem in order to solve a societal problem.
- I want to work with my ideas.



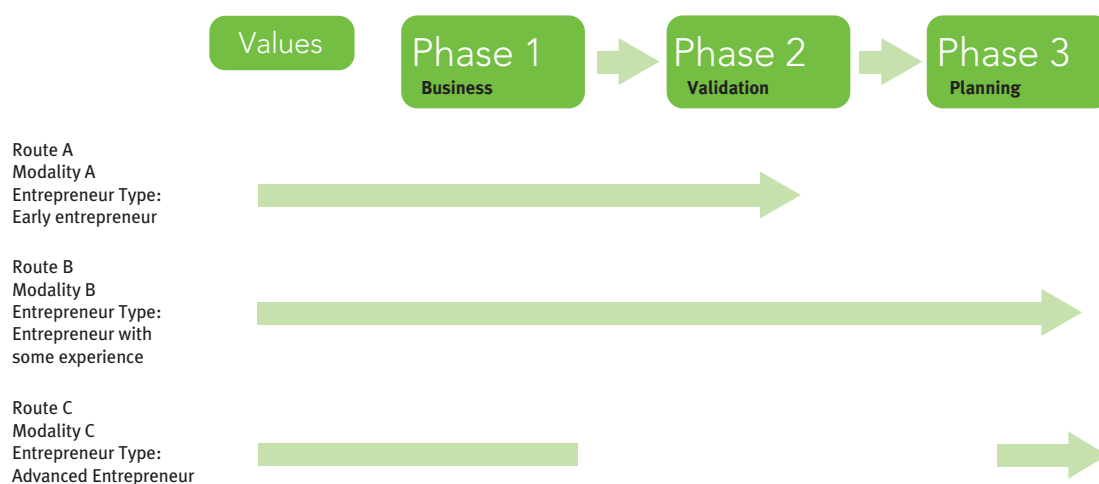
In our different entrepreneur support programs and **EOI coworking spaces** we welcome entrepreneurial initiatives with very diverse characteristics and at different phases of development. Due to the variety of proposals we use flexible processes and working techniques that can be adapted to each type of project and stage of development. This is why, in the management of EOI's coworking framework, we found it convenient to develop a working methodology that could be adapted to such a wide variety of entrepreneurial initiatives and projects. Based on our experience as mentors, we have established three development phases that every new entrepreneurial project or company will go through successively: **Design Thinking, Lean Startup and Planning** or Executing the Plan.

This **three-phase based working process** is ideal for those entrepreneurs that have started with a business idea and wish to develop it to its maximum potential: creating a company, building a team and putting a business model in place to that their product reaches a large number of people and generates important benefits at business level.

It is likely, however, that not all entrepreneurs or projects joining the entrepreneur programs or EOI's coworking processes have the potential or requirements needed to developing their product in this way. Some of them may require a simpler model that is adapted to their needs. In these situations, only one or two of the three phases of development upon which our methodology is based will be put into practice.

After joining an entrepreneurial program or an EOI coworking space, an entrepreneur wanting to develop a business idea to its maximum potential will begin **Phase1** by applying **Business Design** tools. The aim is to first understand their customer through an Empathy Map. From there, they will design an initial idea of their business using a Business Model Canvas. They will then continue to the **Phase 2 Lean Startup** where a series of tools will be used to **validate the hypotheses** arrived at in Phase 1. Finally, in **Phase 3**, the **Planning** or execution of the working plan at marketing, finances, working and operational team levels will be carried out for implementation within the company.

The majority of entrepreneurs will follow the development of this entire 3-phase route with their projects when participating in an entrepreneurial initiative or EOI coworking space. However, there may, as we have already mentioned, be exceptions due to either the degree of development and initial work of the entrepreneurial project or to the time available for working work through the different phases of this methodology. In these cases, only one or two of the three phases will be carried out.





In the following section we will examine what each of these cases involves:

1. **Entrepreneurs whose business idea is at a very early stage**, those who have a 5-month working time limit or those who have started a company for the first time (this is the case for most of entrepreneurs we are working with). In these cases it is necessary to dedicate all the project working and mentor time to Phase 1: Business Design and to Phase 2: Validation with mentors. Phase 3: Planning will not be carried out due to lack of time as well as to allow for the adequate completion of the two first phases in order to maximize the process undertaken. From here, the entrepreneur will reach a point where they realize whether or not it is worth pursuing their idea and continuing to the next steps of the process: to establish the company with the best guarantees for success.

Both the idea and the entrepreneur's profile in these types of project may be considered as being at a less mature stage of development. We may also come across projects where an entrepreneur is less qualified in aspects related to entrepreneurship in which case the benefits that may be derived from the training workshops and support received from the mentor are crucial. This is why, during the 5 months available, and while the first development phases are being carried out, mentor and entrepreneur work together closely to improve that qualification. Without this support it will be difficult for them to undertake Phase 3; due to the lack of time involved, as well as the need to focus on the first two phases and secure maximum benefit from them.

2. **Entrepreneurs that have been working on their business idea for some time and have some experience or background as entrepreneurs** as a result of having been previously involved in other projects or some kind of entrepreneurial project. The complete methodology may be shared with these entrepreneurs as their projects will already be underway. Instrumental aspects such as having a prototype of their product, or having begun to provide a service in a traditional way, may also be well-advanced. **This is when it is useful to implement the three phases of the methodology** as the entrepreneur will be able to secure maximum potential for their project and a major push for their business idea.
3. **Entrepreneurs with an established company or self-employed professionals with a business activity that already has first customers** or wide experience at the levels of business development. For these entrepreneurs, some of the aspects in phases 1 and 2 may have already been accomplished. Nonetheless, in this type of project, it is useful for them to be familiar with the Business Design, Lean Startup and Validation methodologies in order to be able to start, for example, a new business line in the company or the launch of new products. This is why, if deemed necessary, the methodology may be implemented.

It may also be the case that entrepreneurs benefit most from focusing on Phase 3 – Planning – particularly as what the majority of these companies may need most is to improve their level of management. They will be able to do this through the training received in the workshops and support from mentors in ensuring good business planning.

Based on the different types of entrepreneurs and projects that we may find in entrepreneurial programs or EOI coworking spaces, three working routes are possible:

Model A: a project at a very early stage where the entrepreneur has a basic idea but has not started working on it. In this case, time is needed to work on aspects related to the entrepreneurs' profile and then focus on efforts to carry out phases 1 and 2 only. Planning will not be carried out due to lack of time and because of the need to focus on the two initial phases.

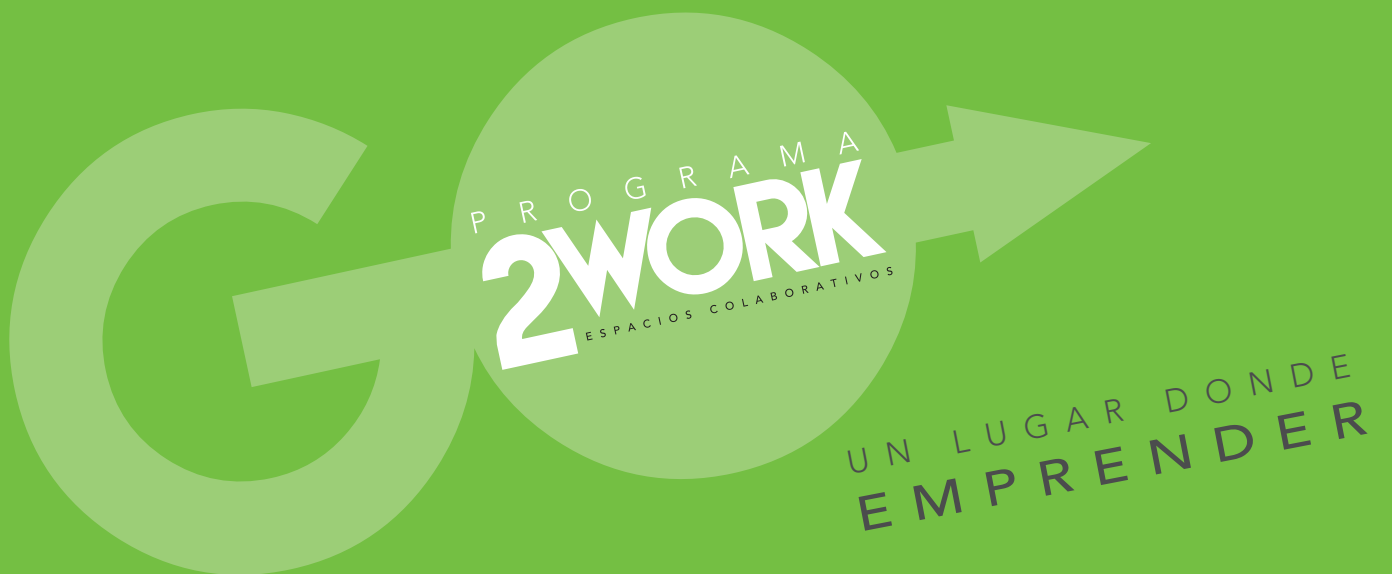
Model B: the project of an entrepreneur who has been working on the idea for some time and has started to give it shape. They may already have developed a brand, an initial minimum viable product and a small working team. This type of project will undergo the three phases: 1 Business Design, 2 Lean Startup and 3 Planning.

Model C: a project at an advanced stage with a developed product or service and with first customers. In this case, the entrepreneur has some experience and seeks help for improvement. Here phases 1 and 2 may be carried out to develop new products and services but most focus should be placed on phase 3, Planning. The aim is to provide the company with an improved profile and to give it a significant boost at business level.

We also need to consider projects that come with their ideas at a very early stage of development where, after having carried out a validation procedure, we realize that there is no point in continuing with the project as more time is needed to come up with another idea or use a different approach. Time spent working at EOI coworkings is well spent here, in the sense that the training received may be valuable for the future of the entrepreneur and will contribute significantly to avoid making the serious mistake of developing a project for which there is no place in the market.

2

PHASE 1 – BUSINESS DESIGN

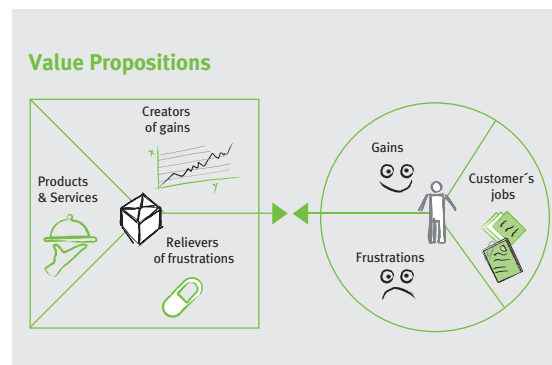
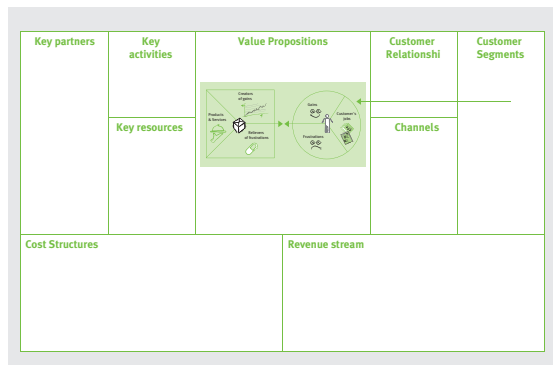
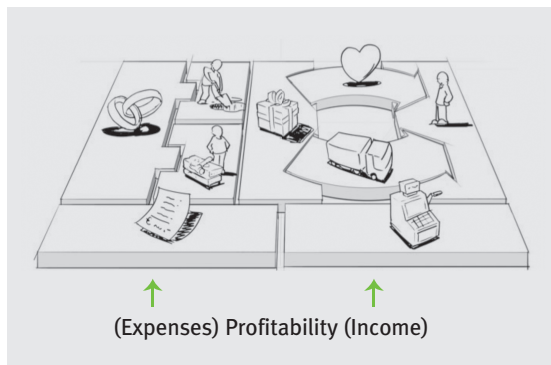
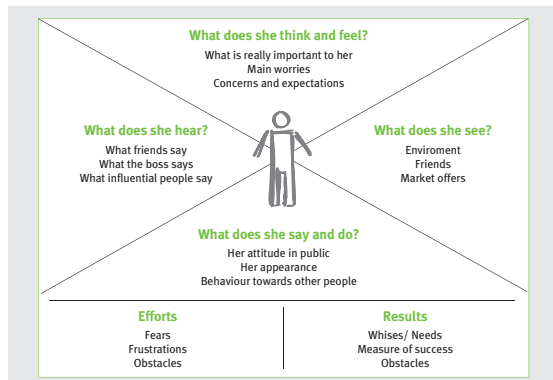
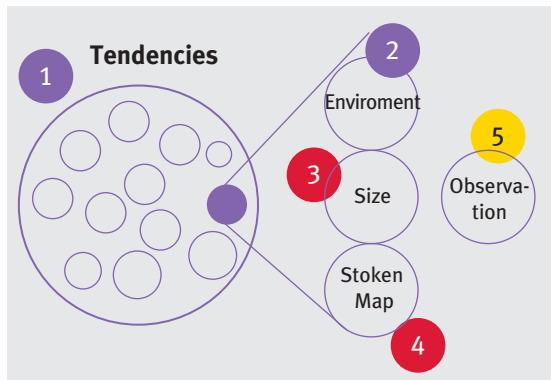
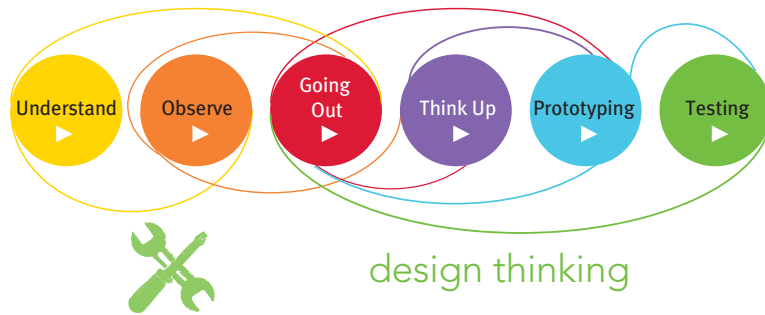


Phase 1

Environment & Opportunities.

Business Model Design & Creation

Design
&
Tools





1. “From ideas to action”

Every entrepreneur, starting from either an idea or with an operating business, should consider the environment in which their project will be developed, what customer needs it intends to satisfy and how their business model will be structured so that it adds value for clients or users. To help with the task of designing and assessing the business model prior to market entry in the validation phase, we have a series of tools.

Any type of project may benefit from using these tools when establishing the foundations for what will become the future company’s plan. This should not be based simply on intuition or be led by circumstances but after careful thought with the team of promoters involved in the project and, if possible, future customers who can contribute to a more realistic vision of the needs that the entrepreneur intends to address.

On the basis of the project models described in this methodology and the routes established, **this Business Design phase is fundamental for models A and B** as they start at a point where they have not begun to develop the product or service (Model B), nor have they started to market the product or service (Model A). This is the time to carefully consider the strategy we want to undertake. It is an exceptionally important moment. We should not let ourselves be led by our own conclusions or assumptions; we have to really understand customer needs and their way of thinking in order to be able to offer a value proposition that satisfies them. Thanks to the work carried out during this phase, the entrepreneur and their team will be in a better position to develop a minimum viable product (MVP) which will help the company to validate the idea in the next development phase. **The work carried out in this phase will thus serve as basis for the other phases** and for the entire development of the company. It can also be reviewed, adapted and improved with the feedback received from the market.

For those companies in Model C, that already have a product or service on the market and are particularly interested in promoting its commercialization to reach more customers, it will not be necessary to start from zero in this phase of Business Design. In this group they may focus their work efforts in Phase 3 towards planning or executing their business plan. It is important, however, that the entrepreneur learns the most important concepts regarding Business Design in order to be able to apply them when launching new company products, business lines or services or when improving existing ones after they have been launched on the market. Within these types of companies we may find ourselves in a situation where the entrepreneur is not getting good results in terms of commercialization. The implementation of these tools serves to assist in adopting a better strategy approach and making them want to understand customer problems, thus improving their business situation.

2. Business opportunities and tendencies

What came first, the chicken or the egg? Is it better to detect a business opportunity first and then develop the business idea or the other way around? Usually, when entrepreneurs start an entrepreneurial process, they do not adequately question themselves about whether their business idea or project is actually based on a business opportunity or not. It is also possible they are not the first ones to come up with that particular

business idea. Although new business ideas in a specific sector or niche area are being formulated every second, in the majority of cases these do not materialize in the creation of new businesses because they do not respond to a real market opportunity.

In the **entrepreneurial process** we have to be clear that **an idea is not enough to create a business**. In fact for an idea to be carried out and eventually be transformed into an actual business what is actually important is how that business idea can be implemented or executed. This is why it is generally said that a mediocre idea implemented or executed by a brilliant and talented team is preferable to a brilliant idea implemented by a mediocre team. **The *how* constitutes the most important aspect to be taken into account when trying to develop a business idea.**

Every **business project** starts with a business idea that **needs to be based on a market opportunity**. The entrepreneur's intuition and foresight (often based on mere observation) are important for identifying business opportunities. As mentioned earlier, the choice of a business idea must be the result of, among other things, the capabilities and attitudes of the entrepreneur or promoter. Many business ideas that are later transformed into products or services are based on needs that have been detected previously by the entrepreneur: needs that, in spite of being latent, have not been perceived yet by the final consumer or user. The entrepreneur feels (or foresees) that the idea will be a success. Social networks are an example of this. Ten years ago not many people felt a need to use them and today they are used massively.

When **choosing** and identifying a business idea we have to take into account **our capabilities, motivations and accumulated experience** in the area or sector in which we are now going to invest our time.

This is not an easy task as it requires entrepreneurs knowing themselves well enough to be able to identify their motivations and, particularly, their *knowhow* regarding their potential business. It is very important to think about the opportunity cost derived from having to focus on an idea and discard the rest, regardless of how good this may be. Equally, we must have a very clear idea of what are we willing to risk. As mentioned above, this demands a large dose of self-knowledge so that we know which business idea best fits with our motivations, capabilities, professional experience, etc. Identifying a good business opportunity in the tourism sector, such as a travel agency for instance, would be of no use at all if one is afraid of flying. We will eventually transmit our fear to our customers or, when asked about our own experiences, we will be unable to help as our fear will have hampered any description of a journey experienced, making it very difficult to sell our product correctly, even if we are proposing the business on the on-line market.

Answering the questions in chapter 1.3 is one way that may help us to select business ideas:

- What professional experience do I have?
- What can I do best?
- What motivates me the most?
- What am I most passionate about?
- Do I see myself in this business in five years?
- What are my best capabilities and skills?



As previously highlighted, **an idea in itself is not a sufficient condition to start a business**; this concept needs to be brought “down to earth” and given form. This is much more complicated than the conceptualization or visualization of the idea. We have a number of examples of how a business opportunity might turn into several business ideas, such as the buyers of online hotel prices and insurance company comparison platforms. In these cases, the technological input in hotel reservations or insurance management, along with consumer price sensitivity, has encouraged the creation of new hotel reservations management and insurance companies offering consumers quality information in real time which can help to optimize resources.

As we have already seen in the first chapter, on many occasions **the entrepreneur’s own intuition plays an important role** in the development of the business idea. The ability to perceive business opportunities depends on the entrepreneur’s inherent capacities as well as those inherent in the external environment. The hunches that successful business people sometimes describe respond to the acumen, or business instinct, of the promoter of the business idea and to an open and observant attitude towards their environment.

The key **features** observed in a **business opportunity** include the following:

- The **practical vision** of the business idea which requires **analysis of market possibilities** so that it can be “legitimized” by customers who will eventually buy the defined products or services.
- There must be a **real market** willing to accept the potential business idea.
- It must be **durable** so that it can be of use.

Sources for business opportunities

Richard Branson, CEO of **Virgin Galactic**, claims that: “Business opportunities are like buses, there’s always another one coming.” And he could not be more right; business opportunities are varied and diverse, and at this moment there are many of them. This is thanks to the development of new technologies and the Internet whose possibilities may benefit almost half of the world’s population.

We can say categorically that **today we live in a world where the possibilities for generating new business ideas based on business opportunities** are greater than ever before in human history. Today, people with a minimum of technological knowledge, available through informal learning environments such as YouTube videos, may develop a business idea based on an opportunity in the technological field.

Business opportunities may arise in different ways, such as the arrival of new technologies or a new policy or regulation, or through socio-demographic changes. This is why it is important to analyze where business opportunities come from. Usually **their origins can be reduced to three factors**:

- **To solve existing problems** among a group of users or clients.
- **To meet needs that are unmet** by the current market.
- **To meet the wishes or motivations** of clients or users.

Trends

A **source of business ideas is monitoring trends** and changes happening in different areas of the environment. These environmental changes can be of a social, demographic, cultural, policy and legislative, environmental, economic and technological nature, and may be a source of inspiration for new and profitable business ideas.

Sometimes these environmental changes have a difficult prognosis but at other times it is possible to envisage emerging trends entering the market that are, or will, influence people's (clients and/or users) behaviors and habits in the future.

A clear example of a macro tendency is the so-called **collaborative economy** or "**sharing economy**" which is establishing itself firmly. This has imbued everything with a prefix used across the majority of sectors: co-ownership, co-creation, cooperation, co-working, etc. We live in, and are moving towards, a more open, transparent, technological and collaborative world. Collaboration among people, after all, has been one of the main factors in human development. This is why the proliferation of business ideas involving individuals sharing things like their house, car, tools and machines, clothing, etc is hardly surprising. The general concept of using a product or service only when I want to use it; and to pay only when I use it, is clear and permeates today's society. This is the reason for the proliferation of business models where you only pay when you are consuming or using. Wedding dresses and suits rented only for a particular occasion, cars and hotel rooms rented by the hour, DIY machinery and tools and clothes rented for days, contracting professional activities such as lawyers, therapists, cooks, personal shoppers, pets for rent, etc. by the hour.

These examples serve to illustrate how a **trend** is established in consumer behavior and how it may act as a **multiplier effect**. Other, more diverse, business opportunities may also emerge from a tendency, opening up new possibilities as consumers get used to a new business model.

Creativity and innovation are also excellent tools for **generating ideas based on business opportunities**. In order to generate good business ideas supported by business opportunities, and inspired by market tendencies, the following the habits are recommended:

- Explore the **needs or motivations of people that are unmet** by existing products or services.
- Surround yourself with **creative people**.
- Observe the **environment** and analyze **change factors**.
- Observe the **interests** and hobbies of particular groups.
- Study **businesses** that have been successful abroad.
- Use **technology** as an ally.
- Have entrepreneurial *hunger* and analyze **future market trends**.

3. Environment research

One of the **first points** and most important points when designing entrepreneurial projects and business ideas is **to analyze the entrepreneurial environment**. By exploring the environment business elements may be revealed that could be crucial for building a consistent and differentiated value proposition. This step comes prior to the design of the business model and will help us to think about **how to deliver value to the client** and/or user, how things such as **the value chain** and the transfer of money **need to be structured**, as well as the **interdependent relationships among stakeholders** which will mark the “playing field” in which the future business will be carried out.

What is an ecosystem?

The term ecosystem originally referred to a natural system formed by a community of living organisms and the physical space where they interact and relate to each other.

Why is this concept of relevance in a business context?

What is interesting about this concept is that it places our business in relation to other businesses that affect, or are affected by, our activities.

According to **Freeman**, from an academic perspective, there are **two types** of stakeholders: **internal** (partners, employees, customers and suppliers) and **external** (governments, competitors, policymakers, environmentalists, opinion groups and the media). The ecosystem shows the **interdependent relationships** between the organizations within this and thus describes **value chains**.

The importance of this is that the particularities of these relationships usually determine degrees of power, as well as the value, of transactions.

The relationship of value between business and customer

One of the most important elements in a business model is the **value proposition**. This should be at least the first element to explore. Without a value proposition the rest no longer makes sense.

And what exactly is a value proposition? It is not a solution (in the form of a product or service). It is what someone values in the solution: a wooden spoon is a solution to cooking in a frying pan without damaging its non-stick surface. However, if one is not bothered about damaging that surface no value is given to that solution.

A value proposition is therefore intrinsically linked to a public that is sensitive to that proposal and willing to give “something” in exchange for that value. And today that “something” may be money as well as the use of an application (e.g. *freemium* applications seeking a number of users, like Facebook), or the use of a platform (e.g. a search engine like Google).

When to analyze your ecosystem

Although you may want to do this exercise for several reasons, it is mainly worthwhile undertaking because today's **ecosystems are changing rapidly** and substantially due to technology and globalization. Forces that have dominated business ecosystems until now have remained largely unaffected for years.

According to Verónica Torrás: “the hectic pace of change today gives room for a number of opportunities for those that are vigilant and know their ecosystems better than the back of their hand.”

This exercise is recommended:

- For aspiring **start-ups** - place themselves in **new positions** in value chains.
- For **small or medium enterprises** - explore **new ways** of doing things.
- In the case of **large companies** - **innovation departments** should opt for **discovering new business models** and keep or maintain control of these within their ecosystems.

And one more thing...

Now you have a **global vision of your business and the interdependent relationships** among different stakeholders.

If your intention is to change “the rules of the game” you have only to identify what your assumptions are and thus where to focus your energies and that of your team in order to investigate and to try to understand the reality of their businesses.

Do not look at how to adapt your vision to their reality. Rather, **listen to them** because you may find “pain points” that you did not imagine.

This first tool will help to extract hypotheses that we will validate later: what are the things that you don't know and will need to study further: “what do we know, what do we not know...”.

3.1. And finally, the Stakeholders map and the Interest-Power matrix (tool)

The table below will help you to **identify stakeholders**.

Your boss	Key partners	Media
Your co-workers	Investors	Government
Customers	Suppliers	Your family
Your employees	Your distributors	Analysts

And their prioritization

P O W E R	High	To keep satisfied	To manage closely
	Low	To monitor (minimum effort)	To keep informed
		Low	High
INTEREST			

Explanation of the matrix

High power: High interest. These people are the ones you must keep closest and most involved and the ones you should dedicate **the greatest effort** to keeping satisfied.

High power: Low interest. Do **enough** to keep this group satisfied but **without tiring them with** your message.

Low power: High interest. Keep these people duly informed and talk to them to make sure that there are no new problems or difficulties. They are often very helpful and may **provide details and data relevant to your project**.

Low power: Low interest. Again, **monitor** these people, but do not bore them with too much communication.

Understanding your stakeholders

Now you know a lot about your stakeholders, you need to know how they feel about your project. You also need to know the best way to “win their hearts” and keep them informed.

Questions to help you understand them

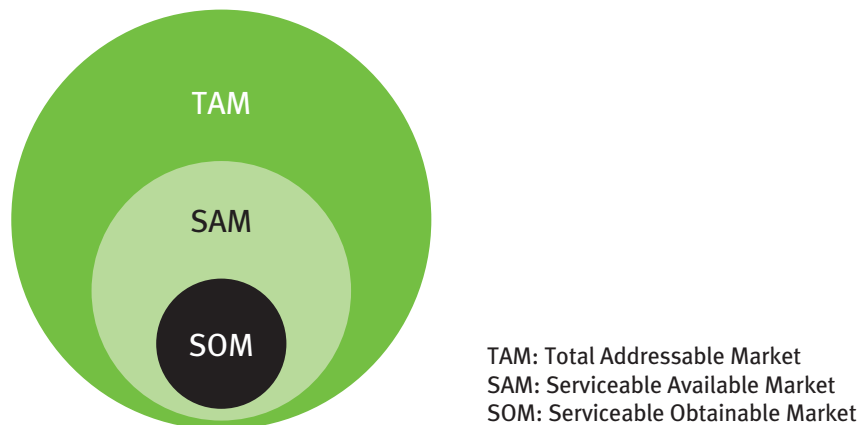
- What emotional or financial interests do they have in relation to your final product/service? Is it positive or negative?
- What motivates them most?
- What information do they want from you?
- How often do they want to receive information from you? What is the best way to communicate with them?
- What do they think about your work? Are they well-informed?

- By whom do they feel influenced? Whom do they influence with their decisions?
- If they do not judge your work positively how can we change their opinion?

A good way of knowing what your stakeholders think is to ask them. This is the first step to having a good relationship with them.

3.2. Market size (tool)

To understand what business opportunities we have we may use the figure below to assess market size.



You need to specify your target public and how big the total market is (TAM). These figures will depend on the business you may have chosen. Are you selling a 10€ product to 20 million potential customers? Or is your solution based on selling 10 million Euros to 20 customers? How many potential customers do you need to get to meet your targets? Where are they spending their money and on what similar solutions? How do they value the cost of their problem?

To know the market opportunity size – how big is it – we will resort to: **TAM, SAM and SOM.**

TAM – Total Addressable Market

TAM aims to model **how large the universe we are addressing is** in order to analyze the business opportunity. To calculate this, in more or less known markets, we could use the total turnover sum of all your competitors at global level, or we could look at existing studies indicating market volume. Where this information is not available “bottom-up” estimates are usually used. These are estimates which transmit an idea of the potential total business demand.

In an example from the car sales market, imagine we are going to set up an internet-based sports car selling platform. Our TAM would be the global market of “light” vehicles, approximately 79 million units per year.



SAM – Serviceable Available Market

SAM offers an idea of the **market size** that we may serve with our current technology and business model. It serves to value the company's **growth potential** within **current conditions**.

In line with the previous example, the SAM for this business would be the annual number of sport car units sold through the internet, i.e. the maximum we could achieve with our current business model.

As this figure is not easily available we would make an estimation based on the following reasoning: if the percentage of the total market of sports cars is 5% (i.e. 3,97 million units/year) and on average 3% of cars are sold on the Internet, our SAM would be 118.500 units per year.

SOM – Serviceable Obtainable Market

SOM is used to **value the potential** in the short/medium term that we can **realistically** obtain with the resources we will invest to attract customers. It values the market size we can obtain **with our available resources** and current recruitment strategy.

For instance, using the previous case, 118.500 units would represent the total market we can reach but, based on our current recruitment investment (on publicity on the internet, call centres, etc.), it would be reasonable to consider that we could sell 500 cars in the first year, 950 in the second, 1.500 in the third, etc.

To summarize, using our example our results would be:

TAM: 79 million units (cars)/year.

SAM: 118.500 (sports cars on internet)/year.

SOM: 500 units (sports cars)/year, what we expect to obtain in the first year.

A **market assessment** is needed to find out how far our project might reach (turnover) and what share of the market it will have (market share).

The **market share** is the portion of the total market absorbed by a specific brand. It is measured as the ratio between the brand-product-service market and the service/total market and is expressed as a percentage.

4. Identifying opportunities and observing the environment

Observation tools. User research as an Innovation tool

The **quality** of any project **research** will depend upon understanding and presenting a good research design. It is therefore important to know the **tools and methodologies** used for this.

What are the advantages of pro user innovative models? Users should take part in the designing process from the first to final phases. According to the latest research, when attempting to develop an incremental

innovation, the frequency of contact with customers and their involvement and participation in the development of the content, have a positive effect on the final outcome.

Companies are aware of **the value of putting the human factor at the centre¹** when designing a product or service for the customer that leads to increased customer satisfaction. User participation from the earliest stages leads to **reduction in levels of uncertainty and the degree of failure** of our value proposition.

A design based on people can turn information into feasible ideas. It can also help to identify new opportunities and to increase speed and effectiveness in creating new solutions.

5. The customer: Data and insights analysis

If an entrepreneur needs to **learn** about a subject quickly they should spend at least a week **deep diving** to collect and analyze data and then move rapidly into the design phase.

When there is more time to deep dive it may be tempting to use most of that time to continue researching. However, attention should be paid to the declining returns of this and the need to stop the research if we are no longer surprised or if nothing new emerges from interviews with another potential customer.

Ethnography is the “*direct study of individuals or groups during a certain period of time, using participant observation or interviews to learn about their social behaviour*” Anthony Giddens, sociologist.

The design of significant and innovative solutions that serve members of a community starts with understanding their **needs, hopes and expectations** for the future.

Listen: provide the team with methodologies and advice on coming into contact with people in their usual environment with the purpose of understanding their issues deeply.

- Who to talk to.
- How to generate empathy.
- How to collect stories.

The results of this phase are:

- Listen to people’s stories.
- Observe people’s reality.
- Understand their needs, obstacles and limitations more deeply.
- Identify business opportunities.

¹ HCD- Ideo.org.

Choosing the research methods

Research is useful for design, not just to help us understand people, but also to place individual behaviours in a context and in the community from which they come, and **to detect business opportunities** which is what we are looking for. The use of a number of different research methods is therefore important.

According to Ideo consulting, the seven most interesting research methods include:

- Individual interviews.
- Group interviews.
- Contextual immersion.
- Self-documentation.
- Community-generated knowledge.
- Interviews with experts.
- Looking for inspiration elsewhere.

Method: Individual Interviews

Individual interviews are crucial for designing research because they **provide deep and rich insights into people's behaviour**, ways of thinking and life. Wherever possible, participants should be interviewed in their homes or workplaces to **observe them in their context**. Interviewers should try and make interviewees feel comfortable and should allow them to look at the objects, spaces and people mentioned during interviews.

***Tip 1:** In order to obtain representation across the entire range, request references at the end of the interview and ask interviewees to introduce more people to you.*

***Tip 2:** Interviews must be carried out in private. The presence of neighbours, acquaintances and friends may influence what the interviewee say or what they can reveal. However, it may be difficult to create a private environment.*

***Tip 3:** Allocate the following roles to each individual involved in the research: one person to lead the interview, another to take notes and, if possible, a third one to take photos.*

Method: Group Interviews

Group interviews help to gain a **quick understanding of the community**. These interviews are useful in assisting knowledge about the life of the community and its dynamics; understanding general community issues and offering members an opportunity to express their points of view. However, group interviews do not enable the acquisition of deep understanding about individual income streams or what people really think, nor are they useful for understanding how to change common beliefs or behaviours.

Tip: Guidelines for group interviews:

- **Size:** 7 – 10 people from diverse economic backgrounds.
- **Location:** The meeting should be undertaken in a neutral place shared by the community with free access (regardless of age, gender, status or race).
- **Gender:** Groups may be mixed or divided by gender, depending on the customs of the community (should men and women have to meet separately, facilitators may be required to conduct both meetings simultaneously).
- **Age:** Based on issues and local context, there could be groups where parents and teenagers/children participate.
- **Method:** Immersion into the context people belong to (the place where they live, work and have social lives), highlighting new and unexpected points of view and opportunities.

Research is more **effective** when entrepreneurs **understand the people** for whom they are designing, not only at an intellectual level but also experimentally. Try to do what members of the community do and talk to them about their daily experiences.

It is worthwhile dedicating a moment, a few hours or a few days, to **work closely** with somebody from the community. With firsthand experience of different types of work a more complete understanding of needs, obstacles and limitations can be obtained.

Share family home-life. Ask a family to host 1-2 team members in their home for a few nights. Doing this over a few nights will allow the family to feel comfortable and act naturally. After the second night, very few people keep on “acting” before guests and, if the team knows how to earn it, over time understanding and empathy will increase.

What people say (and think) about what they do and what they actually do are not usually the same thing. Without intending to mislead, it is often the case that **people are sure that they do things in their daily lives that are very different from what they actually do**. The aim here is not to correct or highlight this mistake but to understand the difference.

When putting ourselves in the position of other people we can learn what they think and feel beyond what they say. Keeping within context, being with people in their environment and doing what they normally do implies the development of true empathy. Furthermore, this kind of deep immersion will allow us to **demonstrate our commitment and perseverance**.

For instance, when you work with a person at their workplace for a whole day or if you live with a family for a few days or help them to take their products to the market, you are showing real interest in them and their everyday lives. Trust requires time as people gradually feel more comfortable sharing their plans and expectations for the future.

Focusing on your objectives while conducting research for design is not so much about getting a valid explanation of reality but about achieving a formula to transform that reality.

“Don’t tell me how the dragon’s nervous system works but where I have to tickle the dragon to make it laugh”

6. The idea: background and rationale

In this section we ask the entrepreneur to tell us a short story about who they are and why they have decided to do this. What was the trigger? What purpose and enthusiasm triggered subsequent events?

Who is the customer? Archetype of customers. Empathy map

Here, we **identify customers** and the customer/user segments faced with the problem you have ascertained in your research. It is important to have qualitative studies indicating the **number of clients** or users that are faced with the same or similar problem. You will also have to establish an x-ray of these groups of customers so that you can determine the **archetype of each group** or customers segment. This means that you have to understand their behaviour patterns, their **pains** and **gains**, as well as the **level of effort (work)** they are involved in.

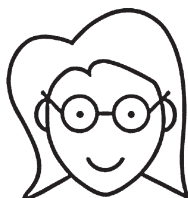
We suggest that entrepreneurs work on the **empathy map** for each group or customer/user segment through an **Empathy Map** tool so that they can identify the differences in each customer segment. Through the empathy map, each group or segment of clients or users is humanized and personalized. This tool will provide **information about the behaviour of those that are faced with the problem**. From this information we can **test, via surveys or interviews**, whether these customer profiles are genuinely faced with the problem or pain, and whether an **adequate number of clients or users** faces the same problem. This enables the **scalability or sustainability** of the business idea or project.

6.1. Empathy Map (Tool)

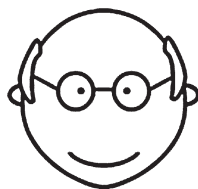
In this section we explain who has the problem by identifying customer archetypes, their behaviour patterns, their pains and gains, and the work they are trying to perform.

To create a quick archetype check the link: personapp.io and Template

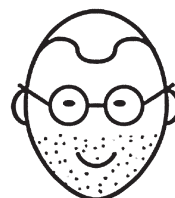
This is an example of how different individual archetypes may be defined. Previous research – for an online optical project – assisted us in categorizing individuals into 4 different types: millennials or digitals, bargain-seekers, the undecided and the suspicious.



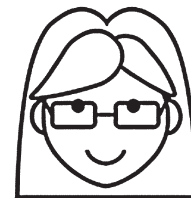
Rachel “the insecure”
Customer 1



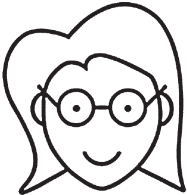
Rudolf “the suspicious”
Customer 2



Michael
“the bargain seeker”
Customer 3



Sonia “the digital”
Customer 4

<p>Rachel “the insecure” Customer 1</p> 	<p>Behaviour</p> <ul style="list-style-type: none">• She is a bit shy and quite impressionable.• She is very insecure and it is hard for her to take a step forward due to self-doubt.• She always asks about the product guarantee.• Sometimes her fear is psychological. She thinks at the moment of buying that she would like it but knows that later on she may regret this decision.• Sometimes she is afraid that the product might not be right for her environment and this is why tends to buy when someone she trusts is with her.
<p>Personal and demographic data</p> <ul style="list-style-type: none">• Rachel is 39 years old.• She adores her dog “Colita”.• She is singles and lives with her mother.	<p>Needs and Objectives</p> <ul style="list-style-type: none">• She needs to know that she has acted well in her purchases and decisions.• She needs advising (including aesthetically). Her favourite phrase is “that really suits you”. A great purchase, a good decision.• Her aim is to always look pretty and stylish.



Source: Authors based on XPlane.

7. “From an idea to a business model”

The definition of business model is the foundation on which the company’s key strategies will be formulated. To respond to questions such as: What are we going to do? With whom are we going to do it? How are we going to do it? Who will help us? How much will it cost? And what will our income be? etc., we will use Alex Osterwalder’s **Business Model Canvas**².

7.1. Business Model Canvas. Tool

Key partners	Key Activities	Value Propositions	Customer relationships	Customer segments
	Key resources		Channels	
Cost Structures			Revenue stream	

Business models may vary over time so it is important to specify what business model you are using for each stage of the company or organization.

Problem to be solved

When starting to design a business model, the **first thing to do** is to focus the business idea on the **problem to be solved and for whom it is being solved**. The importance of practicing observation of the problem must be transmitted to entrepreneurs in order to find out first: whether or not THERE IS A PROBLEM; what it is about; how it is currently being solved (either by clients/users themselves or by competitors); the level of effort invested in alleviating the problem by clients and users; frequency of pain, etc.

Identifying the problem is crucial for the development of the business model. If there is no problem that **clients or users are willing to solve there will be no business**. This is the foundation of the business model.

² Osterwalder, Alexander y Pigneur Yves: Generación de modelos de negocio. Deusto S.A. Ediciones (2011).

8. The value proposition

In this section we will work on the **solution to the existing problem** and how to mitigate the client/user problem identified. We will start by creating a so-called **value proposition**; the strategic perspective of the business idea or solution that we want to offer to customers affected by the problem.

Creating an attractive and differentiated value proposition is not easy, particularly as it needs to be both strategically well-defined and because an entrepreneurial project should be based on a properly design value proposition.

To create a **value proposition** the **following aspects** should be taken into consideration:

- The project based on the value proposition should **provide benefits** for clients and/or users.
- It should **create net value** (more than production costs).
- It should be **comparatively different** (differentiated perceived value for clients and/or users).

The value proposition is generally preceded by **identification of a business opportunity** which, as mentioned above, has been recognized through the observation of a problem, experienced by a certain group of customers and is not satisfied by current competitors. The observation of customer behavior and identification of the problem affecting them determines the origin of the value proposition. This means that **the client** or user **is at the centre of the value proposition**. This is why the design or formulation of every value proposition should start by understanding the client or user through the **empathy map** in the previous section.

Alex Osterwalder shows to us how to create, formulate and design a **differentiated value proposition** using the following **three steps**:

1. **Describe** the work, jobs and activities carried out by customers; problems or needs they wish to solve or satisfy which the company's products will address. These jobs may be functional, emotional or have a social component. The company's objective will be to help customers to fulfill these jobs successfully.
2. **Find out** the **factors** affecting customer **satisfaction** or dissatisfaction levels when doing these jobs, including profits or benefits to the customer through this activity, pain and discomfort, frustrations, costs and risks experienced while doing such jobs.
3. **Associate** customer jobs or activities, and factors affecting their satisfaction with the product and service features around which the value proposition is being created.

In order to **develop the value proposition** the **Value Proposition Canvas** tool may be used.

To summarize, it is crucial to design and clearly define the value proposition around which the entire entrepreneurial project will be structured. This is useful not just for communicating the problem we might be able to solve or alleviate with customers but also to set guidelines for the strategic formulation and positioning of the potential business. According to Kaplan and Norton: *"Strategy is based on a*



differentiated customer value proposition. Clarity of this value proposition is the single most important dimension of strategy.”

The hardest job comes **after** designing and formulating the **value proposition: validating the hypotheses posited by the value proposition**. As described in Lean Startup³ and Customer Development methodologies, you will now have to put your sneakers on again and go out into the street to confirm (or not) these hypotheses. It is time to check the assumptions in the value proposition.

Talking about a **value proposition** is also about **commitment** to customers in the form of products or services. This proposition will determine the boundaries within which we should move. If that commitment is damaged we will lose the confidence of the client or user.

After having created the **value proposition** it is time for the entrepreneur to carry out the **other 7 blocks of the Business Model Canvas**. As more information is gathered from interviews and surveys with potential customers it is very likely that, **over time, some of the aspects included in the business model may change** and that the **business model may alter** several times. While we are improving and iterating the model with customers, the basic approach of the business model may be modified so that we are quite certain that the right decision will be reached from the start.

It is very important to know **how income will be generated** in the business **model** to be designed. In what way, manner or styles will revenue streams be established?

A good business model will force the entrepreneur to answer the **questions** below on **ways of generating income**:

- In whose pocket is the money you need?
- How are you going to make that money go into your pocket?
- How often will they buy from you?

In consolidated companies the creation of business plans is based on a deep understanding of the customer, as well as the market and business model. In newly-created entrepreneurial projects, however, these variables are generally a mystery. **Entrepreneurs** are moving into **unknown waters** where they know very little about the **customer, market** and **business model** which underpins their project.

There are **three basic principles**:

- An **entrepreneurial initiative** (also known as a **start-up**) is a temporary organization designed to find a scalable and repeatable business model within a highly uncertain space in which entrepreneurs base their models on a series of assumptions and hypotheses.

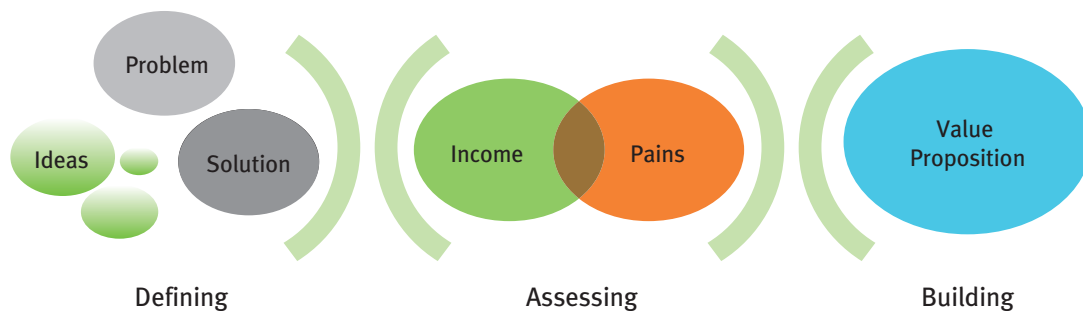
³ Lean startup está registrado por Eric Ries.

- The only way to **validate and test these hypotheses** is to get out into the street and engage in experimenting and prototyping with customers, channels or real key partners to obtain feedback as soon as possible. This is carried out through personal interviews, surveys, experiments, MVPs, etc.
- The best way to deliver **real value to the customer** is by working in an iterative way to improve prototypes with feedback from customers in very short periods of time, sometime weeks, days or hours.

Once a company has developed its business model (knows the market, customers, product/service, channel, price, etc.) it is time to move from the search mode (information gathering) to the execution mode. It is time to start to design the planning which will make it possible to carry out the project.

Alex Osterwalder's **Business Model Canvas** tool, available from Google Docs, can be used for designing the business model. Here the three most important parts of a project business model are based on 9 blocks (see above) that can be represented rapidly.

Tool taken from **Alex Osterwalder's book "Value Proposition Design"**:



Osterwalder, Alexander and Pigneur Yves. Value Proposition Design. Deusto (2015).

The questions entrepreneurs should be asking themselves include: What are you building? For whom are you building it? Why do customers need you? How can you help them?

All these questions are essential. The tool we propose in this chapter will help you to obtain greater insight into them. You will need to imagine how your product or service will solve your customers' problems; whether they will be willing to pay for this and the value it adds to them.

The value proposition canvas will serve as the backbone of your business. It is essential to complete it correctly and to learn how to validate it.

We encourage you to make use of this new tool to allow you to obtain greater insight into the customer and to test your hypotheses. You should encourage your team to go out of the "building", talk to customers, design experiments and practice the Lean Startup methodology.

To summarize:

A value proposition offers hypotheses about what solution you will be offering (your product or service), to whom (customer segment) and why will it be valued by them (“pains”): the problem you solve and the “income” you create.

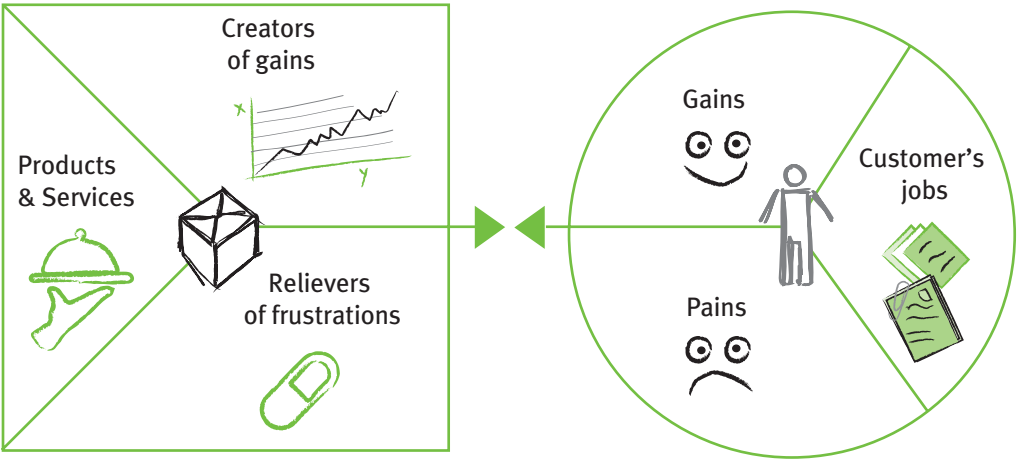
The **three important areas which make up the value proposition** are as follows:



Steps to follow for creating a value proposition:

1. **Select** a customer segment. Choose a group to make a profile about.
2. **Identify** customer jobs. Ask your customers what jobs they are trying to finish. Write these on self-adhesive notes or in Google docs.
3. **Identify** customer **frustrations**. What frustrations do they have? (What objective is your customer not able to achieve?) Write as many of these as you can, including obstacles and risks.
4. **Identify** your customer **gains** (successes). What results and benefits do they want to obtain? Write down as many gains as you can think of
5. **Prioritize: work, frustrations and gains (successes).**

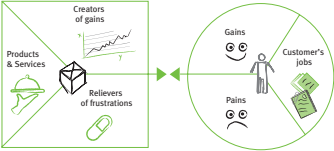
CHALLENGE: Design a value proposition for your customer that represents added value and impact for them.



Source: Strategyzer.com.

How does it fit within the Business Model?

The value proposition is the “heart” of your business model. What are you offering? What are your products or services? Who is your customer and how are you adding value for them?

Key partners	Key Activities	Value Propositions 	Customer relationships	Customer segments
	Key resources		Channels	
Cost Structures		Revenue stream		



What are the jobs that your customer needs to complete?

You must identify the jobs your customer needs to complete to achieve their objectives.

Jobs describe the activities your customers are trying to solve in their working or personal life. When doing your research, make sure you adopt the customer's point of view: what are their shortcomings? Don't forget that what you consider to be important may not be the problem or job the customer is trying to solve.

1. Functional jobs:

Those jobs that your customer is trying to perform or complete: a specific task, solving a problem. For instance: mowing the lawn, eating healthily or writing a professional report.

2. Personal or emotional jobs:

The jobs undertaken when your customer seeks to achieve a specific emotional state such as feeling good, finding peace of mind regarding investments, or a feeling a sense of job security in the workplace.

3. Social jobs:

Jobs where the customer wants to look good or gain power or status. These jobs describe how they want to be perceived by others. For example, as a consumer: looking trendy or being considered competent by fellow workers.

Example: *Children of dependent parents need:*

1. *Jobs: to make sure their parents are well at all times.*
2. *Emotional needs: peace of mind as they are aware that their parents are well.*
3. *Social: appear before the others as being good children.*

Importance of the job

In our analysis it is fundamental to reinforce the principle that all jobs are equally important to your customer. The reality is that some jobs are more important than others since failing to undertake them could have serious consequences. Others, however, are insignificant because the customer is more concerned about other things. Sometimes a job may be deemed crucial because it occurs frequently or because it will result in a desired outcome.

What pains has your customer got? What are their frustrations?

Frustrations describe what is annoying your customer before, during and after trying to complete a job, or simply what is preventing them from its completion. They also describe the risks or potentially negative outcomes related to not getting a job done.

The list of trigger questions below may help you to identify some of the potential frustrations of your customer⁴:

- How would your customers (**the client**) define that something is too costly?
- Does it take a long time to make it; does it cost too much money or require considerable effort?
- What negative social consequences do they encounter or do they fear?
- Are they afraid of losing prestige, power, confidence or status?

What gains would your customer like to have?

As gains are the consequence of a success it would perhaps be better to use the term success rather than gain. Gains describe the results and benefits your customers want. Some are necessary, expected or desired, and others may be a surprise.

The list of trigger questions below may help you to think about some of the potential gains for your customer:

- What do they aspire to achieve? What would be a relief to them?
- How do your customers measure success and failure?

Creating and designing the Value Map

This is simply a list of what you are offering.

Your list of products and services may also include those that help your customers perform the roles of buyer (comparing offers, deciding and buying), co-creator (co-designing value propositions) and *transferor* (disposing of a product).

Your value proposition is likely to be composed by various types of products and services:

- **Physical/tangible:** goods, such as manufactured products.
- **Intangible:** products such as copyrights or services such as after-sales.
- **Digital:** products such as music downloads or services such as online recommendations.
- **Financial:** products such as investment funds and insurance or services such as the financing of an essential purchase.

⁴ Osterwalder, Alexander and Pigneur Yves. *Value Proposition Design*. Deusto (2015).



Frustration relievers

Frustration relievers describe exactly how your products and services alleviate the specific frustrations of your customers. They explicitly outline how you intend to eliminate or reduce some of the things that annoy them before, during or after they complete a job (or that prevent them from doing so).

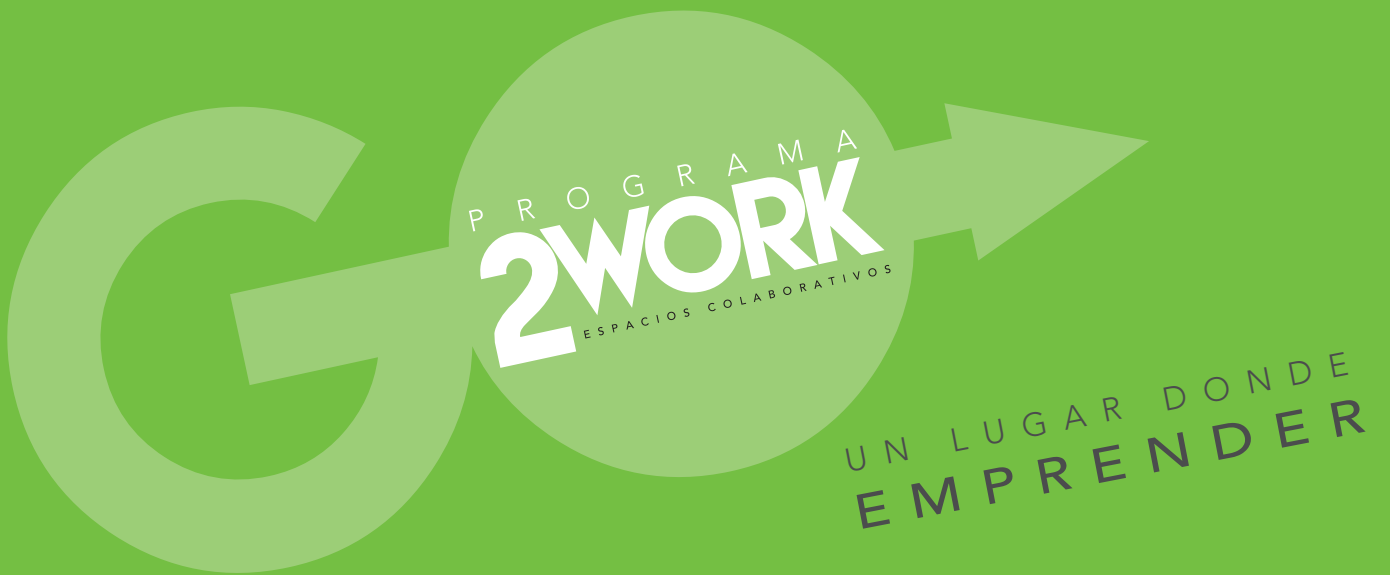
Gain creators

Gain creators describe how your products and services create gains for your customer. They outline explicitly how you intend to produce outcomes and the benefits that your customer expects, desires or would be surprised by, including functional utility, social gains, positive emotions and cost savings⁵.

⁵ Osterwalder, Alexander and Pigneur Yves. *Value Proposition Design*. Deusto (2015).

3

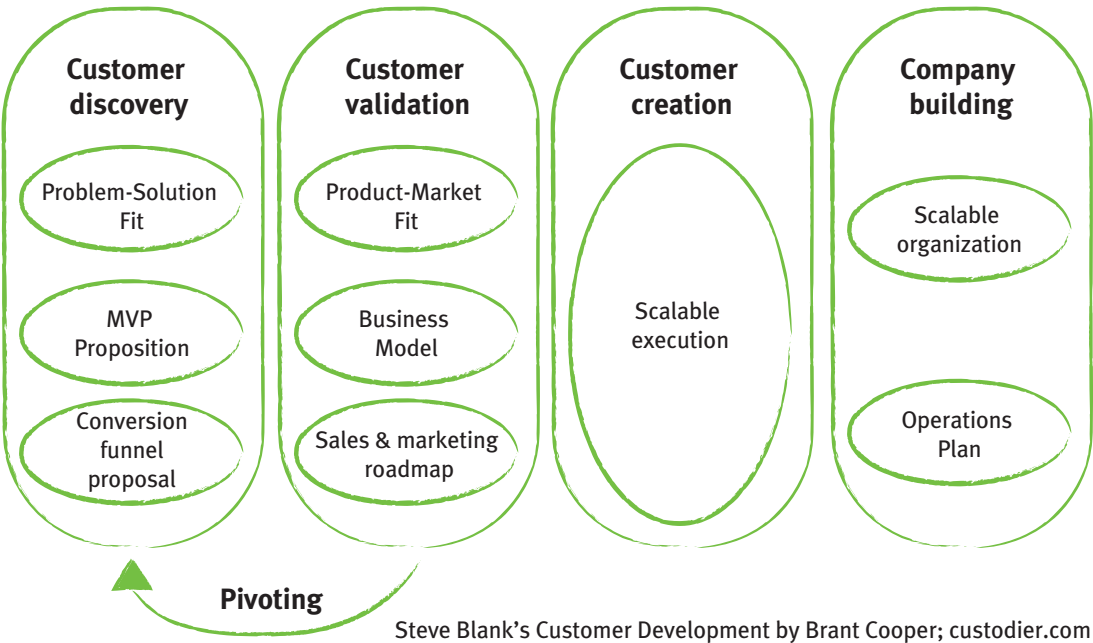
PHASE 2 – LEAN STARTUP.
VALIDATION



Phase 2

Lean startup

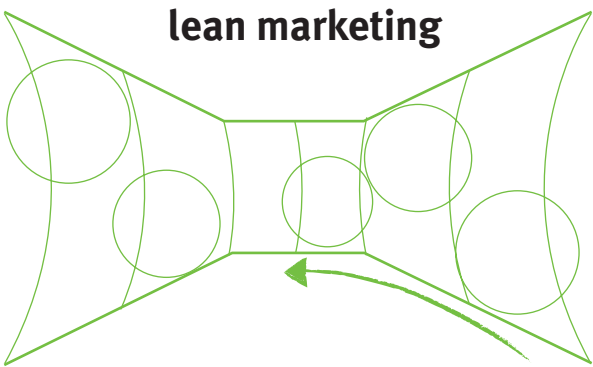
Validation



Customer development
(lean startup)

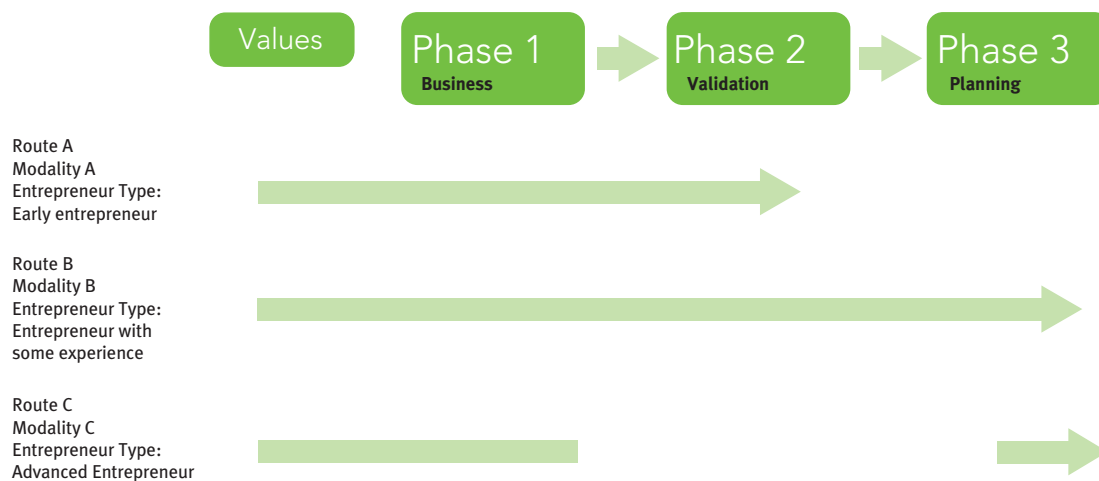
&

Finances



1. "From action to validation"

For companies and entrepreneurs seeking to create a value proposition that adequately meets market needs and satisfies the needs of potential customers, it is critical to apply the ideas proposed by the Lean Startup methodology and realize the validation of the hypotheses developed in the Business Design phase so that they correspond with the focus of the company and enable good implementation. Should these two phases not be correctly carried out, there is a risk of launching products or services on to the market that fail to attract the interest of users because they were developed without considering the market, and without having adequately validated the interest of the people for whom they were aimed.



The Agile Methodology for project development is centered on working by routes. We recommend that Model A and B projects fully undertake the Validation process based on the tools suggested by Lean Startup. Model B projects will be able to do this easily because they have sufficient time and the business idea they may want to develop is already in progress. The activities proposed for this working phase will therefore be suitable for assisting project progress until the product or service to be commercialized is placed on the market.

As Model A projects are based on a less well-developed proposal, efforts must be made to fully undertake the Validation and Lean Startup phase, particularly where there is a possibility of creating a Minimum Viable Product which will facilitate the validation of the market, customer and business model. In cases where the project might require more time during the Business Design phase it may be that the 5 month working period established by EOI coworking is not sufficient for fully carrying out the Validation. For these cases it is convenient to focus efforts on the first Business Design phase and undertake initial experiments that set the ground for working in the Validation phase later.

For Model C companies that already have a product or service on the market, the Lean Startup and Validation methodologies may be useful for developing new products or services as they give priority to a new way of developing businesses. Here the customer is the maximum protagonist and is drawn upon from a very early stage in order to assess their perception of the proposal that the company wants to make to them. This methodology may help the company to improve the products or services already on the market and provide them with a component closer to actual customer needs. A series of very useful tools

are available for companies to undertake a first approach to the marketing plan through Lean Marketing. Early data on financial levels regarding costs and income may also be obtained which will later assist realization of the company's financial plan.

The Lean Manifest

To paraphrase **Steve Blank** in his paper “**Why the lean start-up changes everything**”: *For decades we have been studying how to make and write business plans. Now we know that just a few business plans survive after their first contact with customers. It is worth noting that we have assumed start-ups are like a small version of big companies. We now know that this is not true.*

Before the development of the Lean Startup method, conventional wisdom suggested that the first thing the person with an idea should do was create a business plan (i.e. a static document describing the size of the opportunity, the problem to be solved and the solution that the new venture would provide). Such a document typically includes a five-year forecast for income, profits and cash flow. A business plan is essentially a research exercise written in isolation at a desk before an entrepreneur has even begun to build a product. The assumption is that it is possible to figure out most of the unknowns of a business in advance; before you “raise” money and actually execute the idea.

Once an entrepreneur has completed a convincing business plan, money is obtained from investors and the entrepreneur starts developing the product; in a similar manner to the way in which the plan is developed. Developers invest hundreds of hours to get this ready for launching with little customer input. Feedback from customers only emerges after the building and launching of the product on the market. The sales force attempts to sell it and, all too often, after months, or even years, of development, entrepreneurs learn the hard way that customers do not need most of the product features that have been developed.

After decades of watching thousands of start-ups, we've now learned at least three things:

1. A business plan rarely survives after first contact with customers. As the boxer Mike Tyson said about one of his opponents: “Everybody has a plan until they get the first punch in their mouth.”
2. No-one, besides those who develop venture capital and Soviet Union-style plans, requires a five-year plan or a budget about a series of uncertainties. These plans are fictions and dreams, and generally a waste of time.
3. Start-ups are not smaller versions of large companies. They do not unfold in accordance with master plans. The ones that ultimately succeed go from failure to failure, adapting themselves over time and iterating and improving their initial idea as they continue to learn from customers. Existing companies **execute** business models, start-ups **look for** one. This distinction is at the heart of the Lean Startup approach.

Our definition of a Lean Start-up is: “A temporary organization designed to find a scalable and repeatable business model.”

2. Lean Startup. Key Principles

Firstly, instead of engaging in months of planning and research, entrepreneurs accept that all they have is a series of untested *hypotheses* (basically good guesses). So instead of writing an intricate business plan, the founders organize their hypotheses contextually through a tool called the business model canvas.

Secondly, Lean Startups use the “get out of the building” concept as a customer development approach to test their hypotheses. They go out and talk to their potential users, buyers, partners, etc. to get feedback on all elements of their business model, including products, functionalities, pricing, distribution channels and affordable customer acquisition strategies.

The emphasis is on nimbleness and speed; departing from a minimum product which allows them to obtain customer feedback. Then, using customer hypotheses, revise and start the cycle over again; testing and redesigning offerings and making small adjustments (iterations) or more substantive adjustments (pivots) to those ideas that are not working.

Thirdly, Lean Startup practices something called agile development which originated in the software industry. Agile development works hand-in-hand with the customer. Unlike long product development cycles that presuppose knowledge of customer problems and product needs, agile development eliminates wasted time and resources by developing the product iteratively and incrementally. It is the process by which start-ups create minimum viable products so that they can begin testing.

Strategy: Business Models and Operational Plan

The central focus of this document is on the search for a business model as opposed to the execution of a plan.

When you start a business for the first time, the business model is unknown and exists as nothing more than a series of non-tested hypotheses. One of the tasks of start-up teams is to test these hypotheses, look for functionalities of products, channels, prices, recruitment strategies, maintenance and loyalty, growth, etc. Once the business model is known the creation of a business plan is necessary in order to communicate how the business will be executed and developed.

The term business model appeared for the first time in the 1950s but the concept did not establish itself until the 1990s. A business model describes how a company creates, delivers and harvests value. It is a discussion topic that is not immune to some confusion. In 2009, when **Alex Osterwalder** published his book *Business Model Generation*¹, he used a visual language that everyone could understand. This has enabled it to become the obvious tool for organizing start-up hypotheses.

The primary objective for a start-up is to **validate the hypotheses** of their business models until they find one that is repeatable and scalable (continuing via iterating and pivoting where needed). Once found it is time to switch to “**execution**” mode. It is at this point that a business plan is needed: a document

¹ Osterwalder, Alexander and Pigneur Yves. *Business Model Generation*. Deusto (2011).

articulating the model, the market, competitors, the operational plan, financial requirements, forecasts and other management tools.

The Business Model Canvas (a template incorporating nine business model blocks) is a tool for identifying hypotheses without formally testing them. The approach of our methodology covers this process by providing a set of tools to check these hypotheses and improve the company through experimentation and iteration.

The process used to organize and implement the search for a business model uses Customer Development and agile methods. Searching for a model can take place in a brand new business or in the division or department of an existing company.

The Customer Development model breaks down all the customer-related activities of an early-stage company into four easy-to-follow steps. From Customer Discovery, the founder's vision is gathered into a series of model hypotheses so that a plan is developed to test reactions to these hypotheses and turn them into facts.

Lean Startup: Key Principles

1. Encouraging experimentation regarding the creation of a plan.
2. Customer feedback is prioritized over intuition.
3. Emphasis on iterative design over traditional cascade design of products.

Lessons learned, according to Steve Blank

- The search for the business model is the main part of the Lean Startup process.
- This is true in start-ups and in large companies.
- The aim is to find a scalable and repeatable business model and then execute it.
- Customer and agile development are processes used to search and build a model.
- Searching for the business model comes before executing it.
- Execution requires operational plans and financial planning (next chapter).
- Product management is the process for executing the model.
- Entrepreneurial education is developing its own foundations:
 - Starting with how to design and search for a business model.
 - Adding all the skills a start-up requires.
 - The case method is the antithesis of experimental teaching which is at the heart of the Lean Startup method.



3. Customer Discovery Process

Helping start-ups to fail less

This methodology does not guarantee that start-ups will be more successful but that by following this process they will fail less. Our emphasis is on the fact that the idea is just a small part of what is needed in order to develop a successful company.

The Business Model Canvas is, after all, a tool that encourages hypotheses brainstorming without any formal means of checking it out. The process used to organize and implement the search for a business model is called Customer Development. This search is always performed outside of the office or classroom. The Customer Development model breaks down customer-related activities into four steps. The first two steps of the process outline the search for the business model. Steps three and four refer to its execution.

- Customer Discovery: collects the initial vision of the founders and turns it into a series of business hypotheses. A plan is then developed to test customer reactions to those hypotheses and turn them into facts.
- Customer validation: we check whether the resulting business model is repeatable and scalable. If it is not we need to return to customer discovery.
- Customer creation: the start of execution. It builds upon end-user demands and drives them into sales channels that scale-up the business.
- Company-building: this is when an organization transitions from a start-up to a company and when a validated model is executed.

In this “search” mode we aim to design a process that is dynamic so we work with a business model that we know will change. The business model changes because start-ups use customer development to carry out experiments that help to verify the hypotheses that will shape the model (first by verifying our understanding of the customer problem and then verifying the solutions). In the majority of cases these **experiments fail**. The idea is to assimilate this failure as part of the natural process of a start-up. Unlike many existing companies that get rid of their executives when the putting into practice of their plans fail; we keep the founders and change the model.

Once the company has developed its business model (understands the market, customers, product/service, channel, pricing, etc.) the organization then switches from search to execution mode.

The process of production and engineering steers the product execution process – management of the life cycle of existing products and the launching of new ones. This is the result of a linear process in which operational plans are defined in detail.

4. Early Adopters. Problem-Solution Fit²

A start-up philosophy begins with the vision and strategy of its founders: a new product or service that solves the problems or needs of a customer and addresses how they will reach many customers. Customer Discovery reduces the possibilities of wasting financial and personal resources without getting anything in return.

Our objective will be to turn the hypotheses or initial assumptions about our business, market and customers into facts.

Get out of the building

We recommend going out into the street to validate our hypotheses and turn them into facts. This should not be an occasional activity; entrepreneurs should have - and fulfill - a planned roadmap. This task is critical and should not be delegated: it is something **that founding partners must undertake**.

Looking for the problem/solution fit

We must not forget that our final objective is to search for and discover the problem/solution fit. Have we found a problem that a large number of people want us to solve? And does our solution (a product, a website or app) solve that problem in a convincing way?

Customer discovery seeks to ascertain whether the value proposition of a start-up fits with the needs of a customer segment, and whether our “ring” fits the customer’s finger.

The first product of a start-up – the minimum viable product – is not designed to satisfy every type of customer. No project in its early stages is capable of creating a final product which contains the functionalities required by all customers. Time is needed for the product to be refined. The correct approach is to solve early puzzles by focusing our first deliverables on a small group of customers who suffer the most “pain”.

These early adopters are “liquid gold” for start-ups and will help us to validate and refine our product or service.

These customers are known as early evangelists since, unlike future customers, they are willing to commit an act of faith and buy a product in its initial phase.

Early evangelists sell and provide opinions about our product, and introduce us to their friends, families and colleagues. We should not be tempted here to validate our product with the entire public as this will occur in subsequent phases.

² Dorf, Bob, Blank, Steve. The Startup Owner’s Manual: The Step-By-Step Guide for Building a Great Company. Steve Blank (2012).

First evangelists are our growth engine and they are keen to see us grow. How can we detect an early adopter?:

- They have a problem or need.
- They understand that they have a problem.
- They are actively looking for a solution and have a time schedule within which to find it.
- Their problem is so painful that they have improvised a temporary solution.
- They have, or can quickly access, money to buy a solution.

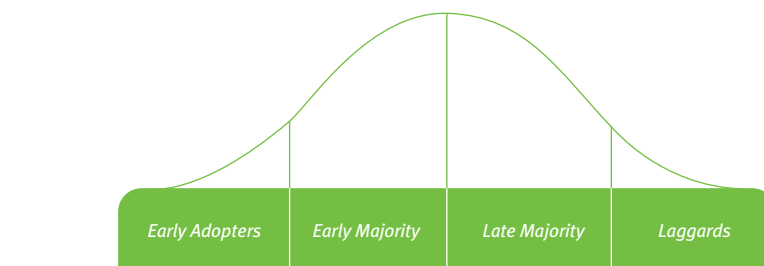


Image by Justin Wilcom focus.

The first step is to build a minimum viable product (MVP)

The concept to be assimilated by entrepreneurs is radical; rather than universal validation, just work with a small group of early adopters. There is also no need to develop an early version of our product that includes all its features as this would waste resources. At this stage we have to focus on what customers actually need and understand their problems in order to verify whether our solution will convince them.

What is important now is to develop an MVP as soon as possible so that the discovery process is accelerated.

5. Determining the business model hypotheses

Discovering the customer, Phase 1: Identifying the business model hypotheses

Dave McClure, from 500 start-ups, accuses entrepreneurs of dedicating too much time to talking about their solutions and not enough to other elements of the business model.

“Customers don’t care about your solution they only care about THEIR problems”

Customers identify their problems and do not initially care about your solution.

Entrepreneurs are programmed to look for solutions, but seeking solutions for problems that nobody cares about is wasteful.

Your job is not to create a better solution but to control the entire business model and make all its pieces fit together.

Steps for a good start. Collecting assumptions and identifying hypotheses

- Identify the assumptions you need to turn into facts to create a business and value that has impact.
- Identify which of these will be most crucial for your value proposition.
- Translate assumptions into hypotheses that can be verified and measured.

You will be able to find many methodologies for this. In fact, all the authors you consult are likely to suggest one for you. We have been inspired by Cindy Alvarez and her book “Talking to Humans³”, by the chapter “Hypotheses” in Jesus Candon’s book “España Lean Start-Up⁴”, and by the book “Lean UX: Applying Lean Principles to Improve User Experience⁵”.

Hypotheses are assumptions: things that we believe but are not proven. The simplest way to formulate them is as follows:

Hypotheses formulation template

1. I think my customer has a need/problem related to...
2. I think these needs or problems may be solved with...
3. I think that those who have this problem or need are/will be (I think my customer is or will be...).
4. I think the size of my market is...
5. I think my customer will use my product/service because...(main perceived value).
6. Furthermore, I think my customer will appreciate the following benefits...
7. I think my client will choose my product against alternative products because...
8. I think I will get the most out of my customers by...
9. I think my main source of income will be...
10. I think I will also obtain income through...
11. I think my main market competitor will be...

³ Constable, Giff. Talking to humans. Success starts with understanding your customers. Steve Blank (2014). Available at <https://s3.amazonaws.com/TalkingtoHumans/Talking+to+Humans.pdf>

⁴ López de Ávila Muñoz, Mario and de Miguel Visa, José A. España Lean Start-up 2015. El estado del arte del emprendimiento Lean en España (2016). Disponible en <https://app.box.com/s/i6s93c1zm84vdvyhoy56n4ib7los6hxz>

⁵ Gothelf, John. Lean UX: Applying Lean Principles to Improve User Experience. UNIR Publishing (2014).



12. I think that if I fail in ...my customer will not choose me (my biggest risk in the product/service is...).
13. I think I will solve this by ...
14. The other business assumptions I don't know are...
15. I think whoever uses my service will be... (who is our user?).
16. I think my user will use my product/service... (Lifecycle, at work/home, moment of the day/month...).
17. I think when my product/service is used it will solve...
18. I think that for my user the most relevant features of my product/service are...
19. I think that for my user to want to use my product/service it should be... (look & feel, quality, durability...).

Formulating a complete hypothesis

We believe that by doing this (creating this functionality/ creating this experience...) for (users/customers) we will achieve (business results/ KPIs) and we will know what is true when we see... (this customer feedback, quantitative and qualitative parameters, this insight...).

Identifying risks elements in your plan

We now need to look at the level of specification that defines how we demonstrate that a hypothesis is true or false. Usually, at the beginning of the project, we are not capable of reaching a high level of specification. However, based on the information obtained from our first interviews, we will be able to refine our hypotheses and conduct improved experiments.

Once our hypotheses have been written it is time to prioritize them according to their:

Criticality: the impact of the hypothesis on the business. An assumption is critical if, by failing, it could put the business at risk.

Uncertainty: the level of unawareness about whether the hypothesis is true or false.

Creating a successful product basically consists of reducing RISKS. Customers buy your products when they are confident about them being able to solve their problems. Trust from investors is based on your capability to create a scalable business model.

Start-ups are a risky business and our main job as entrepreneurs is to systematically eliminate the risks that threaten us.

The hypothesis summary provides details but should be brief, direct and sufficiently clear for all team members to understand. No summary should be longer than two pages. Nearly every hypothesis should end with an experiment that will be used in phases 2 and 3; the moment in which we talk to customers in the street in order to ascertain whether they will accept or reject the hypothesis.

The market hypothesis is an exception as it serves to identify the dimension of the opportunity that a market represents for a start-up. Estimating the market size will help to determine whether its potential benefits compensate the effort, sweat and tears invested or whether it is time for the first pivot.

This also serves to align the objectives of investors with those of the founders of the business. These two ideas are valid, regardless of whether the channel used is physical or via web/cell phone.

Market opportunities grow thanks to three elements: a large number of potential active users or clients; the potential growth of future users within a large and predictable market; and the likelihood of attracting active customers or users⁶.

6. Problem Validation: Interview Design

One of the key issues involved in the validation of the learning process of start-ups is designing, implementing and analyzing interviews as an indispensable Customer Discovery tool. In this section we will plan and organize the interviews using examples. However, conducting a good interview which allows us to validate a hypothesis is in most cases an “art”. We must not forget that the outcome of a good interview may be a validated (or non-validated) hypothesis and that relevant information on the value proposition will need to be provided. As in any experiment there must be a clear focus, a structure and parameters to meet your objective. Do not be afraid of failure, practicing will allow you to learn and improve with every interview.

You must distinguish between problem interviews and solution interviews. We should be clear about which type we are conducting in order to learn about the problem or the solution. Never try to perform both simultaneously as this can distort reality and mean loss of focus on your objective.

During interviews we will learn from the past or present but not about the future or about expectations. For instance a question might be “have you ever had difficulty in learning languages?” followed by “would you be willing to pay for an online teacher to help with this?” In problem interviews you must concentrate on validating your hypotheses about customers, product and market. **There is no need to sell solutions.** You should focus on discovering what problem they have and whether potential customers are concerned about it. Read your questions several times and make sure you are not mixing problem and solution. Remember that you are not in *selling mode*. It is common among entrepreneurs to sell and “throw” the first pitch. Do not try to sell as this will distort the conversation and the interview will have been worthless.

Problem interviews will enable you to learn whether, through the majority of answers, the problem exists but there has been no attempt to solve it, and thus that it is not that important for your interviewees and you should pivot in the customer segment or the problem. If there are no changes, you should pivot and start a new process.

⁶ Source: Yo Emprendo.

Golden Rules for problem interviews:

1. We only want to know about the past and present, never about the future or expectations. Learning not selling.
2. If the majority of answers have the problem but have not looked for a solution you must pivot.

Objective 1: How to formulate the questions?

- **Always use open questions.** Never use yes/no questions or questions conducted as “Don’t you think that...?” Let the conversation flow. After greeting ask something like “talk to me about”, followed by questions which enable you to gather as much detail as possible: “what tools do you use now to solve the problem?” “If you are not using anything ask yourself why, don’t you care...?”
- **Empathize.** Encourage the interviewee to trust you and feel comfortable about answering: “could you tell me a bit more about how you manage now?” “What specific tricks do you use to...?”
- **Go further.** As the interview progresses, leave a few open questions at the end that rephrase the answers received. There is always something you may have not understood well. Ask for clarity. In her book “Lean Customer Development” [Cindy Alvarez](#)⁷ says: “my advice is that you should summarize what you have understood or reformulate the answers to verify what you have understood. Although it may seem repetitive and uncomfortable, it prevents misunderstandings, false perceptions and avoids extracting details not mentioned previously. You will learn to do it without it appearing unnatural”.

With these questions we should be able to:

- Make sure it does not seem too much like an interview by letting the conversation flow naturally.
- Guide the interviewees towards the issues that are important for us.
- Be capable of redirecting the conversation in case of loss of focus.

⁷ Alvarez, Cindy. Lean Customer development. O'Really Media (2014).

Questions that work

For any type of Customer Development	
Talk to me about the last time that...	Allow the customer to express what they think about a specific function. Mention an aspect and ask how they feel about it.
Could you tell me how your business/process works? Could you describe for me what happens when you go/ are/ enter...?	This encourages contextualization and allows the customer to express themselves easily so that you understand their situation.
What are the 3 biggest challenges you face at work/ situation related to “x”?	X= start-up-related problem. You could identify other possible related hypotheses.
What tools do you use for...?	They will explain what tool they use or how they deal with a problem.
When did you start to use it (tool), what advantages were you expecting to achieve?	Use this question if the customer thinks the problem is solved. You can thus see what initial expectations they had about the solution to the problem. Also, the problem might not be entirely solved, if so you should ask:
Is there anything you were expecting to achieve with (name of the tool) that you are not able to do?	You will be able to appreciate their concerns if their expectations were disappointed.
What do you like and what don't you like about the solution you are implementing?	Allows the interviewee to express different problems or virtues found in the actual solution, if any.
What drove you to that solution?	Offers further reasoning
How often do you do...? Let's say, how many times in the past month?	Now you will be able to quantify how important the problem is.
When this occurs, how much additional time or money does it cost your company?	Should they still be unaware of the costs of the problem to be solved or if they don't know exactly what the gravity of the problem is. Help them quantify it.
How have you been dealing or solving the challenge up to now?	If the interviewee has not tried to solve it yet, this means it is not an urgent need and they may not be part of our target segment. Remember, we are looking for our early adopters.
Who else experiences this problem?	Look for other target customer segments. Who else should you be talking to?
When you do (or use)..., is there anything you do immediately before to prepare?	What preparative phases are required? Do they work badly or have preconditions? Use “tell me how...”
Would you be willing to help us by participating in user research or beta testing?	Always ask this question at the end of the interview, even if you don't have a product. It is useful to gather a database. Furthermore, if you are really solving the problem, the answer will be affirmative. If the majority of responses are negative, you should view them as invalidating your hypothesis.



7. Analyzing the results of problem interviews

During the first phase of Customer Discovery the main objective of the problem interviews is to decide whether:

- The problem raised represents a real need.
- Enough people are affected by the problem.
- How they are trying to solve the problem.

If these three questions are met the hypothesis will be validated. How do we know this? At this point the only parameter that really matters is whether the problem is a real need for the customer. To analyze the qualitative data provided by interviews, the following patterns might help you:

Positive	Negative
<ul style="list-style-type: none">• They want to pay you on the go• They ask a lot of questions• They have tried to solve it in an active manner• They move forward enthusiastically	<ul style="list-style-type: none">• They talk about related ideas• They are diverted and distracted• They stoop their shoulders and sink into the chair

If the hypothesis is invalidated it is time to pivot.

Components of a validated hypothesis:

- Customer confirms there is a problem or need.
- Customer thinks the problem should be solved.
- Customer has invested actively (effort, time, money, learning) to solve it.
- There are no out of control circumstances that prevent solving it.

8. Solution Validation

Objective 1: Designing the prototype

When an entrepreneur starts testing your idea they are entering the experimentation process. This will allow you to adapt and change your value propositions and pivot your business model in order to systematically reduce risks and uncertainties.

Objective 2: Preparing to experiment

Speed and concentration is the most important thing: to be fast and focused without learning is like a *snake biting its own tail*: the entrepreneur will lose energy.

Learning and concentration: learning but not moving fast enough, risk of running out of resources.

Speed and learning: this is the objective we seek with entrepreneurs. Acquiring speed and learning while focusing and optimizing. For instance, trying to climb when you are not yet ready.

5 Keys for Success

- Formulate falsifiable hypotheses⁸.
- Be ready to iterate quickly.
- Keep costs and investments low.
- Identify parameters.
- Maximize speed, learning and concentration to minimize risks.

Use the experiments to:

- Measure customer interest or relevance: show that your customers have enough interest beyond what they say. These gestures might be of help: email registrations, letters of intent and decision-making.
- Set priorities and preferences: show which jobs, frustrations and gains are valued most by your customers and which ones are least valued.
- Determine whether customers are willing to pay: collect data and facts showing that your customers are convinced enough to pay for your value proposition.

Solution interviews

Questions for existing products (SOLUTION)	
When you are using (our product)? What is the first thing you do with it?	
What is the most useful thing you do with our product?	
Should you have (the requested function) today, how would your life improve?	
Other customers have told me they are suffering (a problem...)	
Is your problem being solved by something like (your product)?	Describe the problem framework. Do not go into specific details but offer the customer something that enables them to respond to and ask them for feedback about whether it would solve their problem.

When should you stop carrying out solution interviews?

- Once your early adopters have been identified.
- Once the functions and minimum features required to solve the problem have been defined.
- Once you have proposed a price structure that the customer is willing to pay.

⁸ See: Falsifiability or refutability of a statement, hypothesis, or theory is the inherent possibility that it can be proven false.

9. Analyzing the results of the solution interviews

In this phase we verify whether customers are enthusiastic enough about the solution to the problem (the value proposition) to buy/use the product. This phase comprises five steps:

- Upgrade the business model and update the team. It's time to pivot or continue.
- Create a presentation about the product-solution (physical channel) or the high fidelity MVP evidence (web/cell phone channels).
- Verify the product solution (physical channel) or start measuring customer behaviour (web/cell phone channels).
- Upgrade the business model and update the team again.
- Identify the first members of an advisory board.

10. Customer Validation: Market-product fit

This is the most critical and important phase for customer validation: making an honest decision about whether there is a viable and feasible future business model. Now is the moment to analyze the results of all the evidence collected, everything you have learnt about the customers and the factual data obtained.

There are three steps to answering the key question about whether “to pivot or continue”:

- Gathering all available information.
- Revising the hypotheses about the business model and their iterations.
- Assess the parameters.

It should be noted that identifying a problem is not the same as designing the solution to solve it. However, the most critical phase is the moment we verify whether customers are willing to pay for our product.

11. Validating the communication and sales channels. Lean Marketing

One of the most important aspects to validate is the area related to sales and marketing. One of the greatest difficulties for any entrepreneur is to identify and promote access to customers. We must use **the best possible approach to reach the customer and show them the value proposition of our product or service** and follow up on it.

Lean Marketing

There are no unique and definitive solutions in marketing. **Instead of elaborating a complete and detailed marketing plan from a relatively early phase**, it is necessary to develop and **test** different channels and approaches in the long term.

During the **validation** phase **Lean Marketing** is very useful.

Lean Marketing is fundamentally based on:

- Implementing short and fast multiple iterations that allow us to test our marketing strategies and learn through trial and error.
- Applying the “Build-Measure-Learn” cycle, or validated learning cycle, designed by Eric Ries.
- The importance of analysis for decision-making. It is vital to identify adequate specific parameters to verify effectiveness and redirect our strategy.
- Low cost. Especially during the first phase when there are limitations on resources for start-ups. Here the Lean Startup principle of invest little and learn a lot is helpful.

Lean Marketing and Marketing Plan

During the life of a start-up we can distinguish **2 phases** that incorporate different types of marketing strategies. The first one is developed **before the Product/Market fit during the validation phase** and the second **after ascertaining the Product/Market fit**.

Product/Market fit constitutes the first relevant milestone for a start-up. It takes place once something that people really want has been created and has achieved early interest.

The general objective of the phase prior to Product/Market fit is to learn and pivot. In the subsequent phase it is about growing, retaining and escalating by optimizing acquisition channels to accelerate growth in order to be profitable during customer acquisition ($LTV \gg CAC$) (Customer Acquisition Cost lower than Lifetime generated Value by each customer).

From a marketing point of view:

1. Free or low cost channels – digital to a large extent – are preferable during the first phase with an inbound strategy (for attracting and converting a user into a lead, mainly through marketing contents, SEO, social networks, etc.). **Lean Marketing** is used as a tool for validation in this phase.
2. Some of the strategies and approaches that have proved to be efficient the first phase may be used during the second phase which is characterized by the combined and systematic use of specific strategies, including outbound/push (unidirectional, focused on the communication of the product or service, also using traditional strategies such as PR, direct selling, trade fairs, etc.), with more

intensity and frequency and, generally, higher cost. In this second phase it is useful to schedule the strategies, actions and costs in a **marketing plan**.

Lean Marketing in practice

In practice, Lean Marketing involves taking the right action at the right moment.

After having analyzed all the possibilities available - see the list of communication strategies in the chapter dedicated to the Marketing Plan - it is now time to take decisions by identifying the communication activities we will undertake over time in order to validate our hypotheses as well as the effectiveness of the different channels used to reach the customer.

During the Lean Marketing phase it is sufficient to structure each action as outlined in the example below.

Lean Marketing. Action 1

Action	Objectives	Target	How	Cost	Duration	Responsible	Measuring
FB Ads Campaign	<ul style="list-style-type: none"> Attract to web Leads capturing through free e-book downloads 	Start-up targeted public	<ul style="list-style-type: none"> Landing Page Creating a free e-book Hiring a FB Campaign Creating a publication on FB Ads 	100 €	1st/09 to 15th/09	Partner 2	<ul style="list-style-type: none"> FB statistics Google Analytics Pixel in web

To verify the effectiveness and profitability of each of our marketing campaigns, as well as different communication and sales channels, it is necessary to measure them.

In this Lean Marketing phase it is important to start defining adequate parameters for each project.

The parameters that are most used include:

CAC: Customer Acquisition Cost. The cost involved in attracting and converting a new customer through the campaign channels used. It is obtained by dividing total costs – of the campaign and other marketing and sales elements related to attracting and converting new customers – by the number of new customers acquired through that investment during a defined period of time.

LTV: Customer Lifetime Value. The estimated value of a customer is the same as the amount made from a sale to that customer multiplied by the number of sales we expect to make in the future. The cohort study and recurrence are based on historical data and its projection, as well as the evolution of the recurrence.

Gross Margin per Order: The difference between the average income per order (without VAT) and the direct costs, including any costs directly linked to the sale (costs of the goods or services sold, transportation, the logistic variable share and any other variable cost that may depend directly on the order).

Validating the price strategy

Identifying the right price, as well as different communication channels and methods, is one of the difficulties encountered by entrepreneurs during the initial phases. Furthermore, pricing hypotheses also need to be validated and tested.

A profitable price acceptable to customers has to be found, bearing in mind that prices will vary over time as a result of the feedback received, market conditions, different customer segments, etc.

To establish an **initial pricing strategy** it is necessary to assess and combine a series of factors including:

- Price-setting makes sense within the framework of the chosen business model. For example, if our product is a mobile application, income could come from subscriptions, publicity, etc.
- Customer perceived value – the maximum price the customer is willing to pay. The strength of our value proposition comes into play here.
- Customer acquisition process and cost.
- Relevance of company costs.
- Importance of the competence and strength of our differentiation and positioning in relation to competitors.
- Product life cycle and customers targeted. *Early adopters*, for instance, generally pay higher prices for products in the introductory phase. This price then decreases in the maturing phase as the target audience widens.
- Company objectives. The objective of maximizing benefits will involve high prices while obtaining a market share generally implies more reasonable prices (penetration pricing).
- Influence of the distribution method. The nearer we want to be to the customer the more expensive the distribution and the more involvement and control over sales and marketing is required.

12. First figures: costs-revenues. Pre-Finances

The strength level of the structural base of any business model determines its probabilities of survival and growth, or of its demise.

A business model with a successful value proposition but based on a weak financial structure that generates more expenses than revenues is doomed to failure. This is why, once the communication and sales channels have been validated, and before making the decision to pivot or continue, it is time **to do the maths and verify if they add up**.

This is the moment when we calculate “**how much**” and determine whether the base of the business model shows strengths or weakness from the financial point of view. To do this, as shown in the Canvas, we

should express in figures all the elements upon which the different vertical blocks of the business model are made and upload them into the horizontal blocks representing source of income and cost structure.

Taking the initial pricing strategy and the market share we can move on from the resources we will invest in attracting customers to establish the **revenues** produced by the model. These revenues should be contrasted with the fixed and variable **costs** incurred for the activities related to the elements in the remaining blocks.

The **result** obtained from the difference between the figures in the two blocks will help us to validate the pricing strategy and to respond to the questions below:

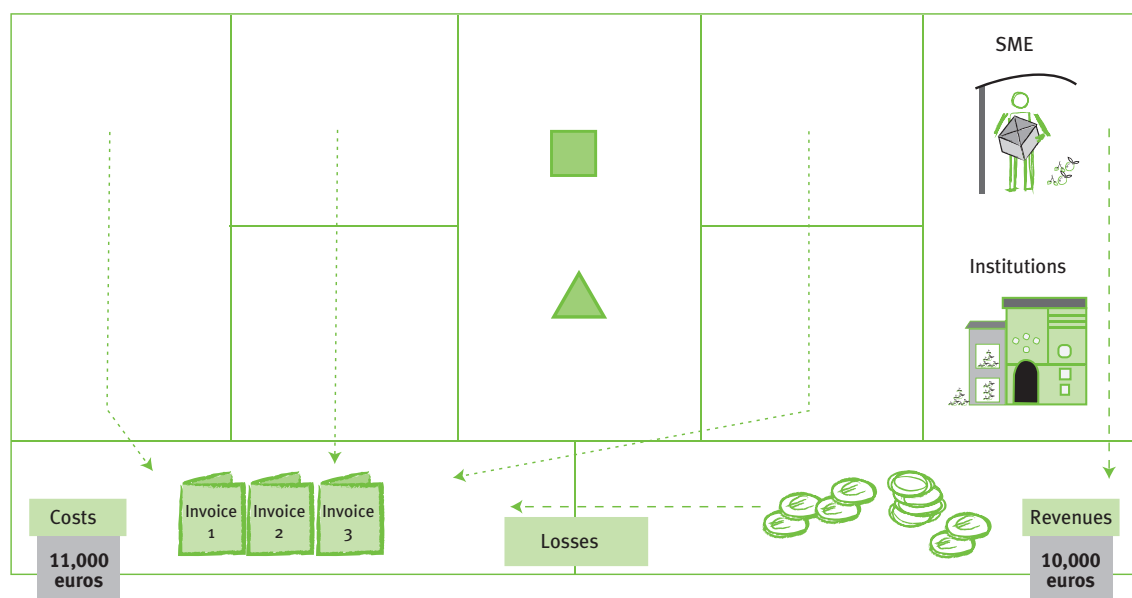
- Is there enough revenue to cover costs in the short term?
- Will this revenue increase substantially over time so that profitability is enhanced?

Although this result comes from a quick approximate calculation, it is useful in assisting us to decide whether to enter the next phase with our current business model – providing we have obtained an adequate potential benefit – or whether we should go back and explore possible changes to the model because it is unprofitable.

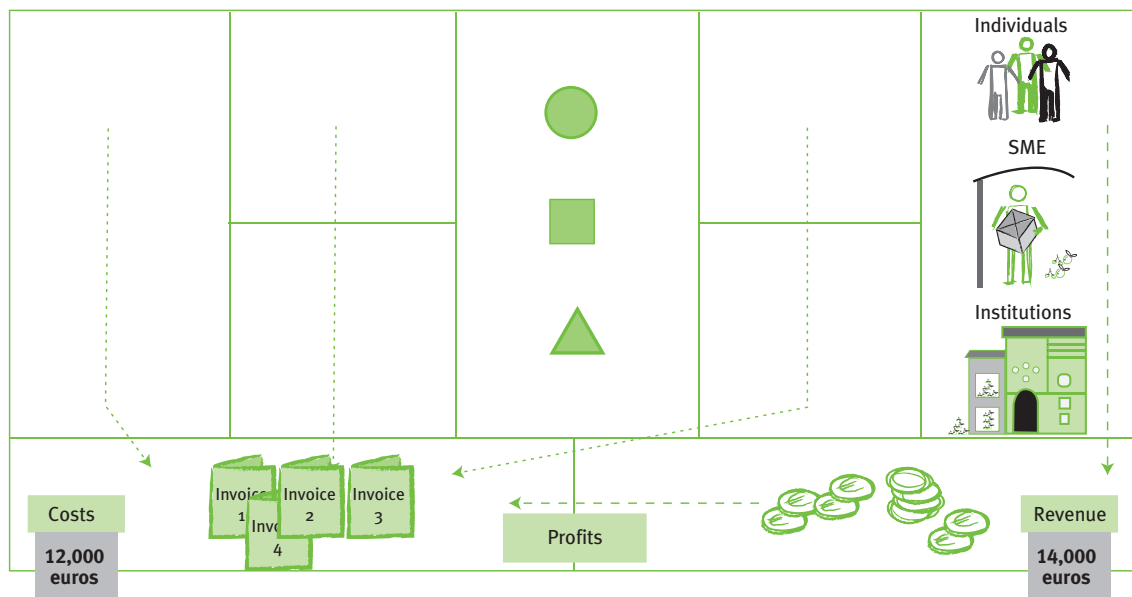
In order to obtain these first figures, a simple spreadsheet divided in two columns is sufficient. One column is for the revenues and the other for the different expenses with the result (benefit or loss) calculated as the difference in the totals of each column.

In the diagrams below two business models are used to show different financial assumptions and results.

1st Model: after the first calculation the result is not profitable. In order to improve it would be convenient to pivot.



2nd Model: the positive result obtained after calculating the first figures endorses a decision to enter the next phase with the business model structure that has been designed.



13. Decision-making: To pivot or to continue

We have nearly reached the end of this phase. You have validated or invalidated many of the hypotheses in your canvas. You think that your model is a possible winner.

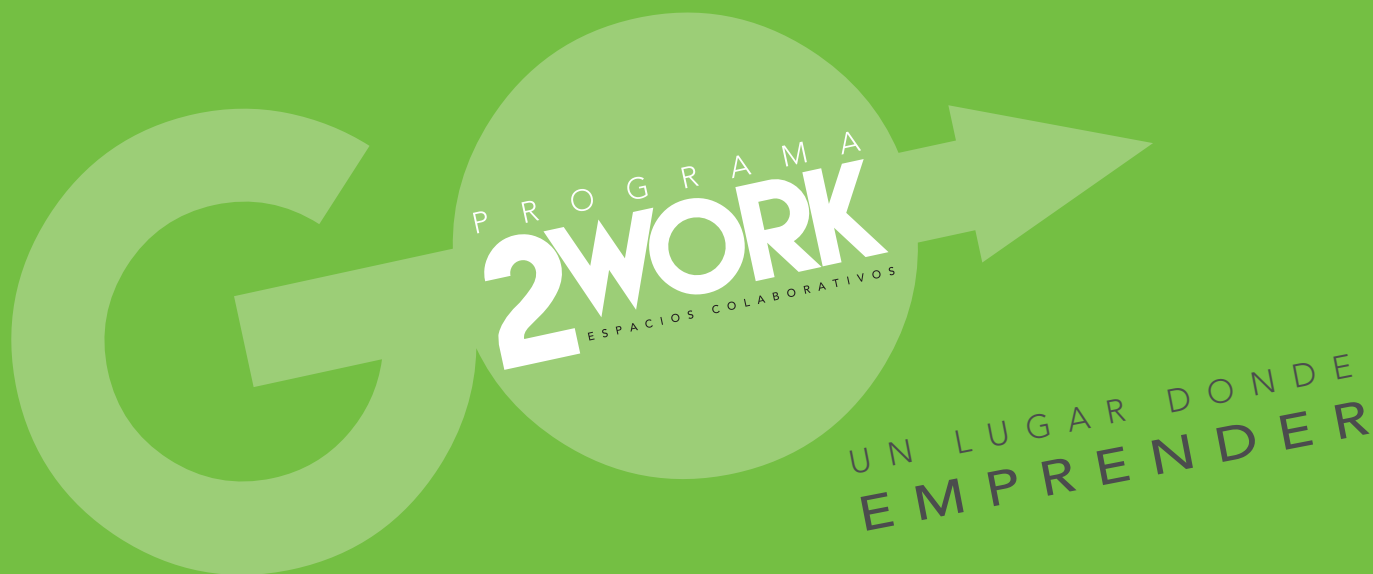
Maybe you should continue to validate your value proposition further. Are you confident about the final choice? Before taking the next step you should verify the aspects below:

- “Confirm that revenues are high and costs low”.
- “Confirm that the business model is correct”.
- “Verify the checklist in Appendix A” from the book *Startup Owner’s Manual* by Bob Dorf and Steve Blank⁹.

⁹ Dorf, Bob; Blank, Steve. *The Startup Owner’s Manual: The Step-By-Step Guide for Building a Great Company*. Steve Blank (2012).

4

PHASE 3 – PLANNING



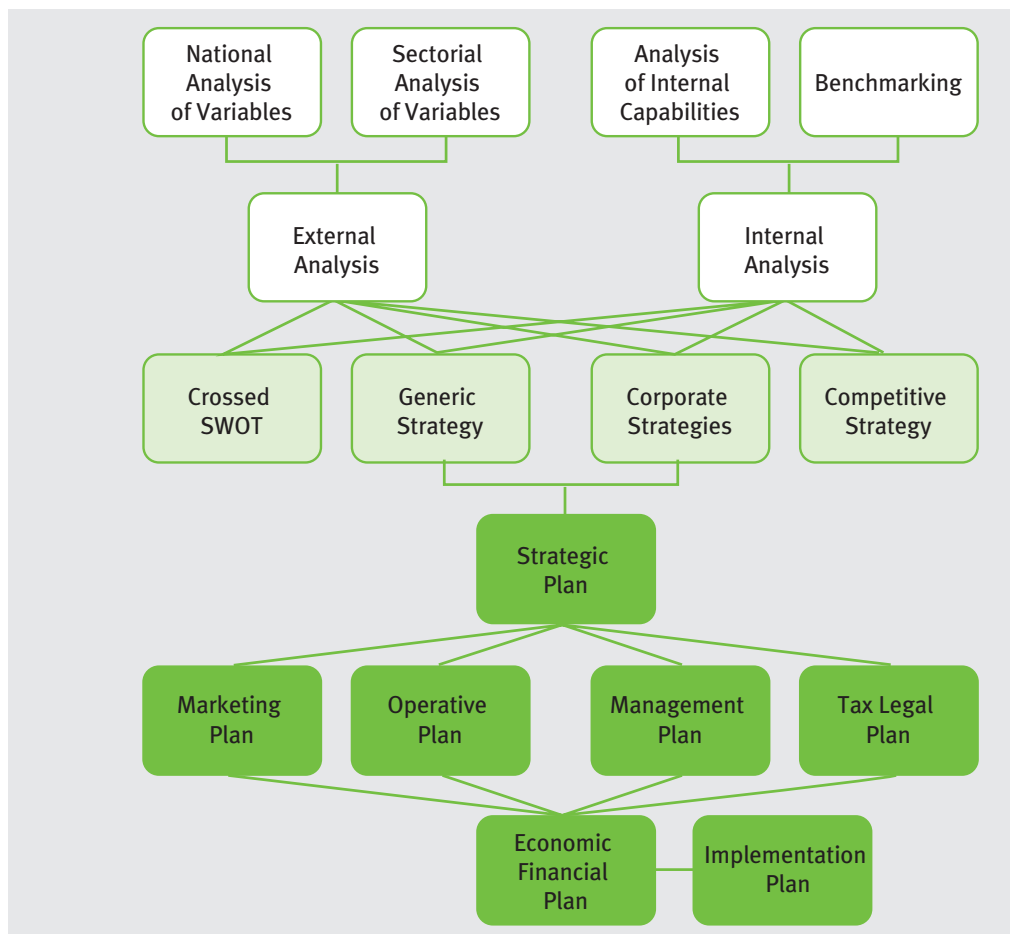
Phase 3

Executive Summary

&



Planning



EOI's Project Methodology



1. Towards a scalable enterprise: Planning phase

After having followed the entire Agile Entrepreneurial Methodology process for the creation of companies, it is now time to assess and check the results obtained from the previous two phases, Business Design and Validation. This methodology relies upon the ideas proposed by the Lean Startup and the proposals are meant to be simple and quick to undertake. This is in contrast to other models where a lot of time is spent developing business plans that are poorly adapted to the needs of the market. In this way, the time and effort dedicated to a theoretical business plan is now used to carry out a more practical task that is closer to the customer who corroborates that the value proposition made by the company is the most appropriate.

We are aware, however, that it is important to undertake tasks that are based on an informed analysis about how the business may develop in the future. This will involve two planning functions:

- It may be used internally as strategic guidance for decisions.
- It serves as a communication tool.

The latter is especially important for seeking support such as external funding. In these cases, the Business Plan will need to show that it has been designed as a true reflection of the path to follow so that the initial proposal becomes a good business. This information will be reflected in the documentation produced, such as the executive summary, *pitch deck* or a conventional business plan which we recommend simplifying by using the contents proposed here for the planning phase.

In the Routes proposal upon which our methodology is based, we acknowledge that for many of the entrepreneurial projects we work with, in co-working spaces or other types of entrepreneurial programs, the scheduled duration of 5 or 6 months is not sufficient for the achievement of all the work proposed in this third phase.

In **Model A** projects **where the business idea is at a very early stage** it will not be possible to go through the Planning phase. We therefore consider it best to focus all efforts on the Business Design and Lean Startup phases. In this situation, mentors will help entrepreneurs and their projects to advance until they have reached a level that enables them to go into the market with the product or service developed, at least as a MVP with the intention of learning from customers.

In **Model B** projects **(the project of an entrepreneur who has been working on an idea for some time, has begun to shape it, already has a brand to work on for the development of a minimum viable product and a small working team)** it would be good to carry out the three Phases, including the complete planning phase, as it will help applications for public funding, seeking investments or forming part of entrepreneurial tenders that require this type of information.

For **Model C** projects **(projects at an advanced stage with a developed product or service and early adopters where the entrepreneur has prior experience and is seeking help to improve)**, Phases 1 and 2 will be carried out to develop new products or services but most emphasis will be placed on Phase 3: Planning. This Planning Phase will help the company to shape its business model and give the project more

consistency. It will also serve as a communication mechanism and provide guidance for implementation of strategic decisions. The company will be better prepared to face subsequent phases of growth. The aim is to support the entrepreneur to make a series of decisions regarding company growth and scalability so that they can focus their work more clearly in future.

2. Strategic Objectives

In this phase entrepreneurs should express their philosophy for developing a business and introduce themselves to the entrepreneurial environment. They should define the mission, vision and values of their business project. It is advisable to undergo this stage once relevant documentation is ready (business plan, executive summary or similar) and when there is enough information (competence, differentiation, profile, customer segments, etc.) available to address the issues below:

- **Company Mission:** state how the organization intends to achieve and consolidate the reasons for its presence. Indicate the priorities and the direction of the activities of the organization, identifying target markets, customers and offered products/services. Answer the questions: what, whom, where, how, why and, perhaps, what for.
- **Company Vision:** a set of general ideas from the reference framework regarding what the company wants, wishes and expects to see in the future. An idealized vision from members of the project which is more a declaration of intent (wish) than a programmatic bet on the evolution of the business.
- **Principles:** entrepreneurs should choose the principles that best identify what they want to transmit through their business idea, personality and understanding. This responds to the reference framework in which the future company will operate and be associated with. Principles should be defined during the first stages of the creation of the business idea. Some examples include: an attitude of continuous improvement, honesty, transparency, sustainability, being proud of and enjoying our work, make it simple, never stop learning, doing everything with a bit of modesty, etc.

3. Designing the team

Human capital represents the most important asset for any company. It is thus necessary to take care of, and motivate, the human group that forms a company. In this section, key aspects regarding human resources, organizational structures and planning of the new company will be addressed. We recognize that **it is not ideal to describe people as resources** as the majority of business projects essentially operate thanks to the involvement of the people that make up a company.

We will need **to create a solid and committed team, competent in their roles and areas of expertise**, with experience and, above all, highly motivated. All these qualities are indispensable if the business is to be successful (even more than the price or quality of the product itself).

We will analyze what the workforce needs, qualitatively and quantitatively, and what the new company demands in order to start and in relation to provision for new recruits during its first years of activity.



The most adequate organizational structure required at any given time should be designed, built and activated. This involves defining what business roles and responsibilities will need to be developed. These should then be grouped into working positions by establishing respective hierarchical relations and determining what skills and capacities will be needed to cover the different positions.

Guidelines for human resource policies should also be defined, including: selection/recruitment, remuneration, performance assessment, training and education, working rules, etc.

At this point we should be able to answer the following questions:

- On what kind of organizational structure will our company be based?
- What will the composition of the management team be? Have they worked together before? Do they have previous work experience?
- What is their academic, business or technical background? What will their individual roles or areas be? Will they be involved full-time in the future project?
- What human resources and profiles will be used to implement the business? What roles and responsibilities will be assumed? What skills do they need?
- Contracting procedures: What type of contracts will be required? What salaries and benefits will the employees obtain? How will they be paid? How will their performance be assessed? How will they be trained? Will there be a career development scheme?
- What are the operational rules and policies to which employees must comply?
- What workforce requirements are needed as the business starts? What will they be in the coming years?

Organization Chart

It is important to highlight that **the majority of newly established companies do not have an organizational structure in their early stages** as their staff is formed by very few people. However, **the key roles and functions** to be carried out by the company (manufacture, design, acquisitions, marketing and sales, etc.) **always need to be specified.**

Due to market requirements **companies should ideally have a flexible and adaptable structure** that allows them to operate in the most effective way possible. Today, a company's capacity to react is crucial.

The preparation of an organizational chart will be conditioned by factors such as the sector in which the company is competing, ownership of the company, nature of the company – provision of services, product marketing of manufacturing – the size of the company, etc.

An organizational chart should include:

- The different hierarchical levels (management, middle management, employees).
- The different areas of activity (sales, production, finances).

- The location of each post.
- The existing hierarchical and functional dependency relationships among different posts.
- A nominal allocation for each post.

In most company structures today the decision-making process is not monopolized by a single person but involves several people from different business units taking decisions jointly. However, not all companies are ready to adopt this type of organizational structure.

In small companies, managerial positions are undertaken by owners, i.e. the entrepreneurs themselves. It is also very unusual for this type of company (the majority SMEs) to have middle management posts as it is not considered appropriate or effective for a new business to start by assigning an out of proportion and excessively large structure while seeking economic profitability.

Profiles and workplaces

A detailed description for each member of the company's managerial team is needed. This should include the following aspects:

- Accumulated work and business experience.
- Experience and skills as a manager.
- Certified academic, business and technical education.
- Expertise in a particular functional area or specific field.
- Achievements, professional milestones and business successes obtained during their career, management position occupied with functions and responsibilities.

In addition to the managerial positions, other required positions or professional categories should also be specified where appropriate (mainly middle management, administrative and operational staff) highlighting their jobs and functions (duties and rights), along with the profile, skills and professional experience required.

The purpose of the job description is essential so that we **know in detail what posts are needed to ensure the correct functioning of the company** and, based upon these, to cover them by contracting (recruitment process) those individuals that meet the defined profiles.

The list below outlines some of the elements to take into consideration when defining a position.

Job Description and location

- Post title.
- Hierarchical superior / Organizational level.
- Organizational location (area / department).

- Physical location (office / shop / factory).
- Mission and objectives of the position.

Functions and Responsibilities

- Activities to be performed / Responsibilities to assume.
- Complexity of problems to solve (of technical, management or operational nature).
- Internal relationship channels (to whom and with what purpose).
- External relationship channels (to whom and with what purpose).
- People under their supervision.
- Materials and equipment under their supervision.

Skills and qualifications required

- Qualification / Education required.
- Specific training needed for the job.
- Languages needed.
- Minimum experience required for the performance of their duties.
- Skills required for the job.

People Management Policy

The entrepreneur should be aware that starting a company also requires the development of a series of human resource policies for the entire personnel cycle: recruitment and selection, training and education, performance assessment, remuneration, etc.

Depending on the philosophy governing the new company, as well as its dimension and structure, the policies described below may be relevant:

Recruitment and selection

Today, talent identification is one of the most important issues for businesses. This section describes the personnel recruitment and selection methods that may be set in motion at the start of a company. It will also specify whether the selection process should be carried out by the entrepreneurial team or outsourced to a specialized personnel selection company such as headhunting or temping agencies, etc.

Remuneration and incentives

Here we should define how the different professionals and employees that will make up the staff of the future company will be remunerated. Aspects such as the job market, qualification levels and experience, collective agreements, social costs, etc. should be taken into account.

An estimate of the annual salary increase should also be established in percentage terms as well as the social security schemes for each professional category.

Salary structure is currently defined by different components including:

- Fixed component: base salary calculated against the employee's professional category.
- Variable component.
- Variable percentage of the salary depending on the professional category, subject to compliance with the company's objectives at general level for posts of greater responsibility.

Other possible benefits in kind:

- Training grants.
- Extra bonuses for overtime or being permanently on call.
- Insurances (medical, life).
- Pension fund.
- Company shares.
- Travel.

Another important aspect to take into account here are **incentives programs** for staff as they constitute a key motivational driver for company employees (**Maslow's hierarchy of needs**) as their efforts and personal performance will be rewarded and acknowledged. In a number of situations (depending on the competitiveness of the sector), it is therefore important to establish an objective compensation system and incentive program that rewards / punishes individual performance.

It has been demonstrated that **the majority of people today do not work only and exclusively for the money received from salaries but that other personal and professional motivations should also be identified and stimulated by management.**

Performance Assessment

Performance assessment is a key tool for motivating employees. It consists of assessing or evaluating staff performance in relation to defined categories and profiles. This process aims to analyze the performance of each company employee during a certain period of time (e.g. one year) in an individual and personalized

manner so as to be able to apply relevant promotion and remuneration/incentive policies. The aim is to evaluate work carried out against expectations for their profile and category.

The key elements needed to implement a process of this nature are:

- Firstly, planning of objectives, activities and training for all the employees based on profile and category and the expectations framework defined for each.
- Secondly, analysis and assessment by a superior or supervisor of whether objectives have been achieved or not at the end of the period of time analyzed.

Training and Education

One of the key commitments adopted by an entrepreneur is provision of adequate employee training. A good training and education system will generate greater motivation among employees.

Several training methods may be used (classroom, e-learning, distance learning, blended learning). Depending on the type of company, employee profile and the objective sought by the training activity, some will be more appropriate than others.

Professional Career

Career development is a continuous process over time which is crucial for success in companies that require particular qualifications.

If the possibility of offering a professional career to employees (or to certain profiles such as the most talented people in the company) is within the philosophy of the team of entrepreneurs and the aim is to ensure loyalty and stimulate levels of commitment towards the company by encouraging professional growth, it is useful to provide them with a reference framework that allows them to measure and assess their progress against relevant performance standards and objectives. This can assist in establishing adequate promotion and rotation policies.

Naturally, this policy should go hand in hand with performance processes and assessments of remuneration and incentives.

Personnel requirements and growth prospects

The Business Plan should demonstrate that the human resources required have been quantified within planned timeframe targets. The planning should also project any increased expectations of staff foreseen by the entrepreneurial team for each profile during the first few years of the new company. These will later be taken into account in the Financial Plan under the line item for the recruitment of personnel for a three-year period.

4. Marketing Plan

The Validating the Channel chapter distinguishes two maturation phases for a company – before and after **the Product/Market fit** – and recommends different marketing strategies for each of them.

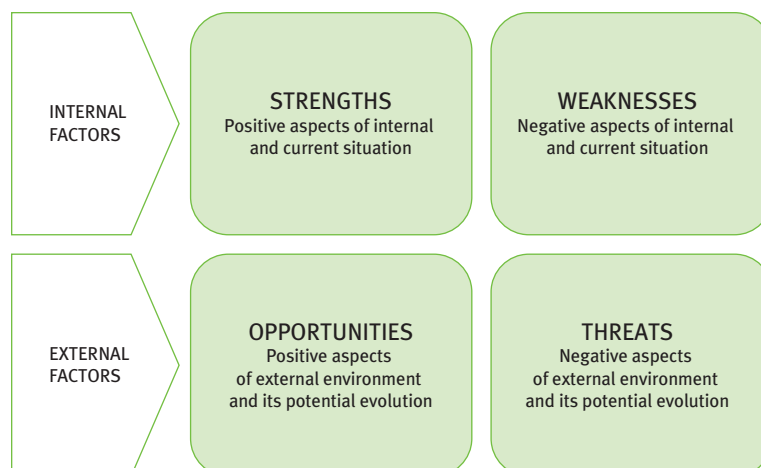
Once the Product/Market fit has been carried out and a first “pull” has been achieved, it is time to accelerate growth – reaching profitability through customer acquisition – retaining and escalating. It is convenient in this phase to plan strategies, activities and costs in a **marketing plan** with an annual time horizon. This will be our operational roadmap for marketing decisions and actions.

When planning, we may structure the marketing plan in different phases:

1. Analysis and Diagnosis	Where are we?
2. Marketing objectives	What do we want to achieve?
3. Strategies	What will we do?
4. Action Plans	How will we do it, when and who? How much will it cost?
5. Measurement and control	How will measure and analyse?
6. Projected Sales	How much are we going to sell?

1. Analysis and Diagnosis

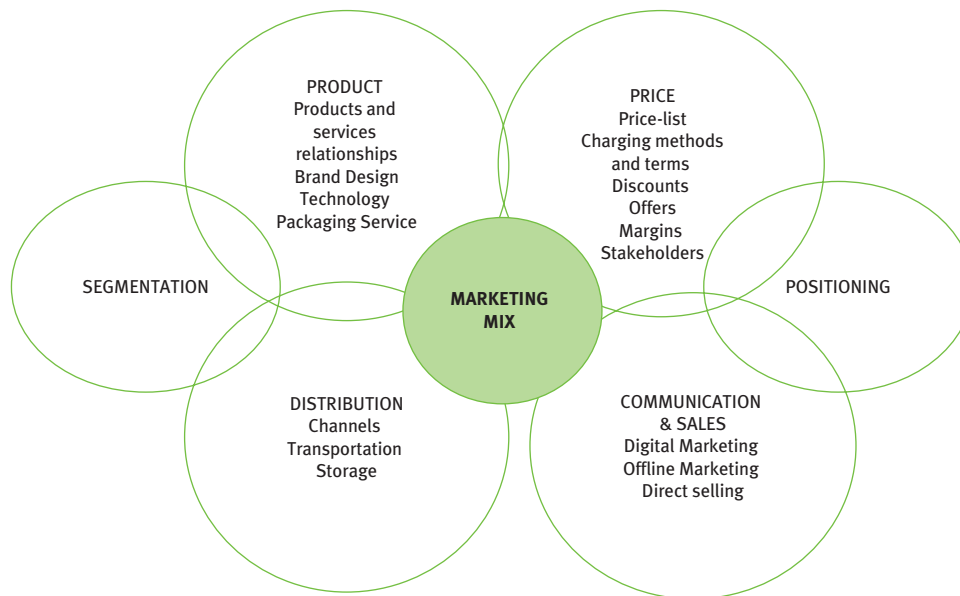
In this phase we will carry out a SWOT analysis as the starting point for our Marketing Plan:



2. Marketing Objectives

Objectives must be SMART: specific, measurable, achievable, relevant and time-related. For example, improving company reputation is a generic goal while achieving 150 conversions or new customers in the second quarter or achieving 50,000 Euros in sales in the first semester are SMART objectives.

3. Strategy Formulation



The Marketing Plan in the diagram above reflects strategic decisions regarding:

- Segmentation

Identifying our **target** is vital for marketing and indispensable for communication. It may include our target audience, certain market segments, *influencers*, media, etc.

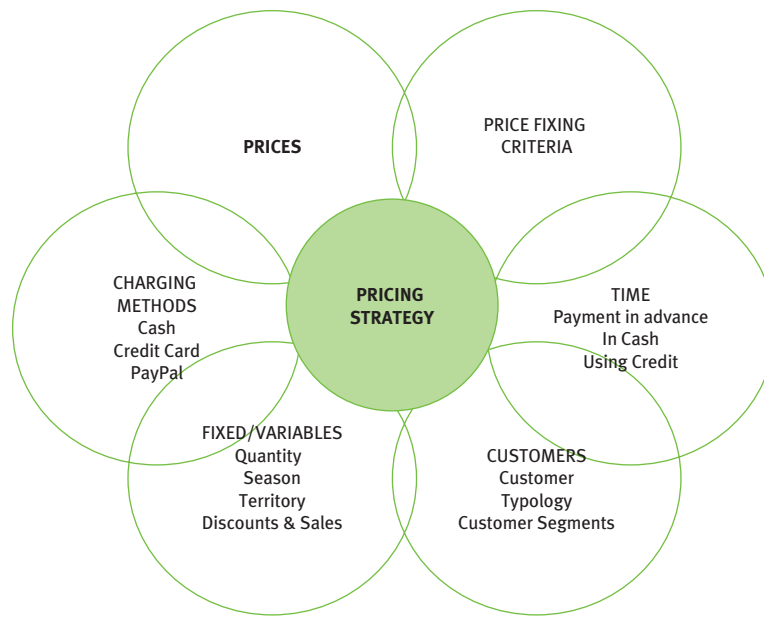
- Positioning

The place our brand and product occupy in the mind of our target in terms of differential attributes regarding other competitors within the sector.

- Products and Services

List of products and services, their features, attributes and associated service aspects.

- Price



As shown in the diagram above, apart from having a price list, it is also necessary to make decisions about charging methods and terms, discounts policies, special rates for stakeholders, etc.

- Distribution

Includes the sales channels through which customers acquire our products and the range of tasks needed to have them delivered – mainly logistics and transport.

- Communication and Sales

Due to their strategic importance we will discuss communication and sales strategies here in detail. Decisions are focused on the channels, media and tools used to make our products and services known to our target audience and convert them into customers. During the Lean Marketing phase we will have experimented enough to be able to plan specific campaigns in channels that have proven to be more efficient.

Digital and offline marketing strategies are two sides of the same coin and it is necessary to combine both to reach to the customer efficiently.

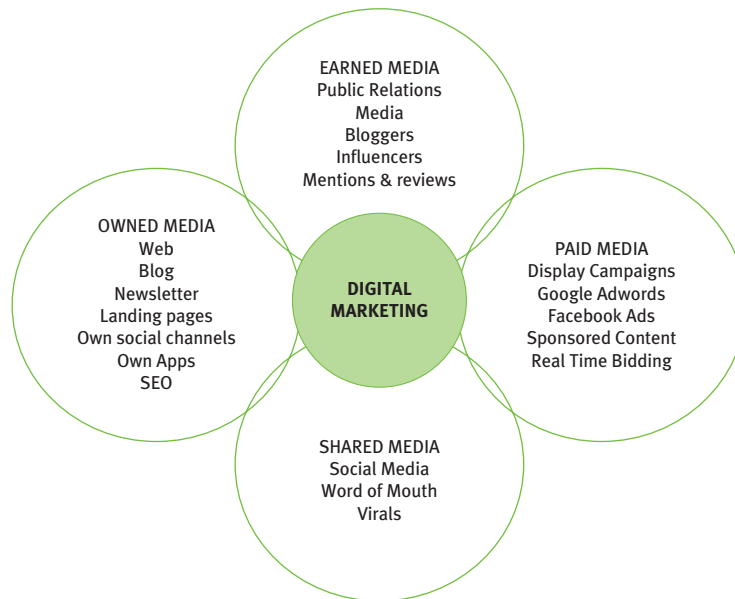
The main communication strategies to be used are:

Digital Marketing

Different strategies include:

- Owned Media: both media and channels are owned by the brand.
- Earned Media: acknowledgement achieved as a result of the work done.
- Paid Media: investing in publicity through selected spaces, providers and media.
- Shared Media/ Social Media: based on dissemination and sharing of contents.

In the diagram below the main communication and marketing online strategies are represented:



Offline Marketing

In terms of offline marketing – which will obviously be reflected in digital marketing – there are a number of options. Among the main strategies the following may be highlighted:

- Public Relations.
- Promotions.
- Publicity.
- Direct Marketing.
- Direct selling.



In our communication strategy it is important to take into account the different strategies we will need to use. These depend on the customer situation in the conversion funnel (**Funnel**) and on the different objectives in each phase: acquisition, activation, retention, selling and recommending.

Action Plans

In this phase we will detail the activities that correspond to the different strategies we intend to carry out within the marketing plan time horizon – generally annually. Aspects such as **specific target**, **cost**, people **involved or responsible** for their implementation, **duration** and intended **measurement** should be indicated. Most of these actions will be related to communication. The table below provides an example.

Action	Objective	Target	How	Cost	Duration	Responsible	Measurement
Press release Launching on start-up specialized Media	<ul style="list-style-type: none"> Reputation. Acquisition. 100 Leads. 	<ul style="list-style-type: none"> Target audience Media 	<ul style="list-style-type: none"> Development. Media contacts. Dissemination on Social Networks. Follow up. 	Free	5/03 to 20/03	Freelance journalist Collaborator	<ul style="list-style-type: none"> Google Analytics. Social Networks statistics. Calls messages received.
Trade Fair xx	<ul style="list-style-type: none"> Reputation Acquisition 1,000 Leads 	<ul style="list-style-type: none"> Target audience Media Sectoral Ecosystem 	<ul style="list-style-type: none"> Hiring stand Design Preparing strategy & materials Dissemination on Social Networks 	4,000 €	15/10 to 15/12	Partner 1	<ul style="list-style-type: none"> Contacts made Google Analytics Social Networks statistics Calls messages received
Google Adwords Campaign	<ul style="list-style-type: none"> Attract to web 10 new customers Acquisition 	<ul style="list-style-type: none"> Start-up target audience 	<ul style="list-style-type: none"> Search by keywords Advert design Hiring 	300 €	1/11 to 15/11	Partner 2	<ul style="list-style-type: none"> Google Analytics

Once marketing actions have been planned, costs should be reflected in the e-Financial Plan spreadsheet (model at: <http://a.eoi.es/entrepreneurmethod>).

To visualize the temporal horizon of the different actions the use of a Gantt diagram is also highly recommended (as shown in the section dedicated to the Implementation Plan).

Establishing and using appropriate parameters for our project will allow us to measure the effectiveness of our activities and correct them.

Sales forecasts

An estimated sales forecast is needed to complete the Marketing Plan for the period covered. This forecast will be included in the e-Financial Plan.

Carrying out a sales forecast is particularly difficult at the start when there is no sales history. However, it is still convenient to realize a first sales forecast even though when this is purely indicative.

The following aspects will need to be assessed and combined:

- Expected results after applying the Marketing Plan and the work of the sales force.
- Validated hypotheses about the sector, market size, customers buying habits and frequency, as well as on the relevance of the competitors.
- Company selling potential relative to its capability.
- *Breakeven* analysis (minimum sales figures needed to cover costs) related to the costs estimate and setting minimum objectives that allow for the survival of the company. To calculate this we should ascertain average sales price, variable average costs and fixed or structural costs.

Sales forecasts may be elaborated in the “how much are we going to sell?” spreadsheet of the e-Financial Plan.

5. Legal and Tax Plan

In the planning phase decisions will have to be made about the legal form with identification of the necessary procedures and planning for appropriate tax and administrative management of the company.

Legal Form

The Spanish *Secretaría General de Industria y de la Pequeña y Mediana Empresa* (General Secretariat for Industry and Small and Medium Enterprise) provides a tool for **choosing a legal form** based on information about the process of creation and launching, with different options for online creation.

To choose the most appropriate legal form, the entrepreneur’s analysis should mainly take into account the following:

- Number of partners.
- Turnover, expenses and benefits prospects.
- Responsibility willing to assume.
- Financial needs of the project.

Procedures

Important aspects such as procedures and requirements – mandatory or simply recommended – that will be reflected in the implementation schedule need to be identified to initiate the company.

The main procedures include:

- Creation procedures (deeds and articles of association, entry in the commercial register, tax procedures, mandatory accounting books, etc.).
- Administration procedures (requiring the intervention of the Public Administration at local, regional and national level either to collect taxes, to apply for registration or to grant a licence).
- Work procedures (registration under the Social Security scheme for self-employed workers, registration of the company in the Social Security system, affiliation and registration of workers, signing of employment contracts, etc.).
- Other procedures and requirements specific to the activity sector or generic (occupational risk-prevention, data protection act, general insurances, registration of patents and trademarks, etc.).

Fiscal, accounting and labour management

A classic entrepreneurial error at the beginning of a new venture is to take personal care of fiscal, accounting and labour management. It is preferable to outsource these tasks as they represent a crucial factor for success. An important investment in time and effort is still required to remain well-informed about tax legislation. The choice of a good administrator is important. If this area is not well-managed it may result in fines and penalties of different magnitudes.

Furthermore, many fiscal decisions are significant as, depending on the selected option, they may represent fiscal savings. It is also useful to be kept informed about tax allowances or advantages on a permanent basis.

6. Operational Plan

In his book *Libro Negro del Emprendedor*, 2007¹ (The Entrepreneur's Black Book), Fernando Trías de Bes, declares that the success of a business project is not based on the idea but on the shape of the idea, i.e. how the idea is put into practice.

The content of the Operational Plan is focused on “how to do it” and “with what”. The Operational Plan is related to the correct administration and management of the resources required to efficiently produce the goods and services upon which the business idea or project rely.

¹ Trías de Bes, Fernando. *Libro Negro del Emprendedor*. Basabel (2007). Available at: <http://es.slideshare.net/ricardo3villa/el-libro-negro-del-emprendedor-fernando-tras-de-bes>



If the business activity is related to the **development, production and commercialization of a product** a technical description of the product needs to be made that includes a definition and details of its design and production process. If, on the other hand, our business is going to be based on **providing a service**, the technical description should include the procedures, technical requirements and, where necessary, documentation related to the provision of the service.

The **objectives of the Operational Plan** include:

1. Defining the most suitable product or service production procedures, as well as the logistics required to manufacture, commercialize and provide them.
2. Defining and evaluating the material and human resources required to correctly realize the previous procedures efficiently.

As mentioned above, if our business relates to the **development of a product**, it is advisable to clearly describe the sequence of tasks that add value to the process by identifying each step, input (task entry) and output (task exit). If the process is complex, it is useful to complement the description with a diagram showing the sequence of tasks and process steps (flow diagram of activities).

Processes of either products or services may be subdivided into the **activities or tasks** required and constitute the “how to act” of the business idea or project.

They may be outlined by designing a **process map**: a series of interrelated activities and tasks that transform entry elements into exit elements that contribute added value. This value diagram is a visual inventory of processes that may be subdivided into: strategic and key processes, and general secondary or project management system supporting processes. They can also be **outlined using infographics or a flow diagram**.

A process map provides a global perspective that locates each process in relation to the value chain.

Strategic Processes

Strategic processes define how the business functions and how to create value for the customer/user as well as for the organization.

Supporting Processes

Supporting processes provide support for key processes. Without them key or strategic processes would not be possible.

Key Processes

Key processes are directly linked to the services they provide. They constitute the added value sequence of the service, from understanding the needs and expectations of the customer/user to the provision of the service.

Establishing key processes is the most delicate phase of process management. This phase determines the key processes of the process map and involves compiling a Flow Chart to identify the sub-processes and activities into which key process may be divided.

Activities are a set of actions that demand resources and time, and that are needed to generate a result and meet the objectives proposed in the project. Identifying these activities is particularly important for estimating the resources needed to achieve a result.

The information incorporated into the Business Plan will differ entirely depending on whether the business relates to manufacturing or distributing a product or to provision of services. Ultimately, the Business Plan should describe in detail, in clear language that simplifies technical details, how the activity will be carried out.

The following aspects should be elaborated upon more specifically:

- **A description of the process:** including a basic description of the process required to undertake the activity. Written in a comprehensible way for a non-specialized reader. Should a more technical description be required, it is advisable to include these details in an annex to the plan.
- **Plant and equipment:** if the project or business idea revolves around a manufacturing process, this sub-section should describe the location of the plant. It is useful to include a layout plan of the plant as well as its facilities, machinery or equipment, and a definition of the initial purchasing policy to be followed. Another relevant aspect would be information on whether transportation is required or not and, if so, a description of the fleet of vehicles along with their characteristics. If an office rather than a factory is used it would also be helpful to describe its location and equipment in this section.

Should the project or business idea be limited to the manufacture of a product, the **manufacturing capacity** is a key element for identifying the potential of the business initiative to generate income. Manufacturing capacity is defined by the maximum quantity that can be produced, or the maximum number of services that can be provided, within a certain period of time. Manufacturing production is linked to constraints such as the technical capacity of a plant or equipment, the number of people willing to undertake the work, the maximum storage capacity or the experience curve.

To calculate manufacturing capacity the flow of all the production processes involved should be analyzed in detail (this is also valid for the provision of services). To design a process map which reflects the main and secondary activities of an idea or project process for generating value, we recommend working with *visual thinking* techniques. This map includes key and supporting processes for the main and secondary activities as well as a corresponding timeframe for each of them, the staff involved and, where necessary, the internal documents required for each phase.



When **providing services**, if there is no handling or manufacturing of goods, the task is simpler. However, a **customer demand forecast** must be developed so as to avoid errors in completion dates for the implementation of services which would seriously affect the success of the business, especially in its early stages.

As mentioned earlier, a *visual thinking* tool such as a *Customer Journey* or **customer map** may be used here. Using a flow diagram we can design a route that includes key moments and places through which customers “travel” (through a physical channel like a grocery store or through an online channel like a web), from the first moment they contact us until we complete the provision of the service.

For business projects or ideas related to provision of a service, either physically and/or online, the customer map has a double function: firstly, it serves to design the routes of the processes (key and supporting) in the provision of services and determine how value is being incorporated into the said processes and, secondly, it is useful for designing the company’s friction and attraction points for our customers and/or users. This tool will provide information on how to improve the development of the service and incorporate value into it.

It is also necessary to identify the energy supply needs to ensure the production process. In fact, this should be done along with the forecasts for raw and ancillary materials. Estimates will be different depending upon whether the energy supply is electrical or requires fuel that needs to be stored.

While **quality control** is a key aspect for any productive process, it is especially important for manufacturing processes and service companies as there is an increasing demand from customers regarding questions of quality which companies, regardless of their sector or activity, should not neglect.

Quality controls ensure that the delivery of products or services meets internally-set standards. There are also international quality regulations (like ISO standards) against which we can submit our products or services. These standards are sometimes required by customers and are in many cases an indispensable condition for being accepted as a supplier. For example, the Spanish department store *El Corte Inglés* demands compliance with ISO quality standards by many of its suppliers when contracting products or services.

Quality controls must be included in the entire productive process of the provision of services.

Quality controls should not be limited to specific productive process. The **concept of Total Quality should cover all the company’s processes** (customer service, suppliers control, etc.), so as to impact the entire company cycle.

Another sub-section that can be addressed in the plan is the **health and safety measures** adopted within productive process. They should be integrated into the entire process of definition and development of the productive process.

A wide body of legislation strictly regulates minimum health and safety criteria. Occupational risk prevention should cover aspects related to the work flow and company processes, including organizational responsibility for this function.

Usually, safety requirements for an activity where there are no hazardous or dangerous materials or substances in use, or that do not use dangerous devices in their processes, are easy to comply with from a legal point of view. In other cases it is useful to take expert advice to ensure compliance with safety regulations and requirements for the production process.

Environmental conservation is currently a key aspect to be considered in any production process. The current sensitivity of our society about these aspects requires paying a great deal of attention to the potential environmental impact of both the production process and provision of services. This is due to the importance of caring about the environment and to the impact that any incident related to the environment might have on the general public, and ultimately among customers, suppliers, etc.

In terms of the **stock management of products** needed in production process, every business should have a basic storage capacity for the materials necessary for production or provision of services. Stock management policies are linked to maximum storage capacities, to the costs associated with these products and their rotation in the warehouse. As a general recommendation, only the minimum quantity of products needed to ensure a production process without problems should be stored. Storing above that quantity does not represent any additional benefit and has a significant impact on the income statement. In fact, in the so-called Industry 4.0, the tendency is to liberalize stock to unimagined levels. The recommendation is to produce only what we know can be sold and adjust production process in accordance with the selling process of related goods or products. The Business Plan should include basic aspects of stock management policies in terms of available and required physical space, key products to store, etc.

7. e-Financial Plan (tool)

Although it is necessary to ensure the survival and expansion of the business project, establishing a roadmap is extremely complicated. Improvisation may cause serious problems of feasibility and entail greater exposure to incorrect decision-making.

If, in the different activity plans for this third phase, we have reflected the activities that we intend to carry out so that the journey we are about to start is feasible, now is the time to **quantify these actions, translate them into monetary terms and measure them**. The aim is to verify whether, by assuming a reasonable risk, the business project may **follow a path of profitable, sustainable and financially sound growth**.

It is time, therefore, to **keep on crunching numbers and verify whether they “add up or not”**. If not, we will need to look at what aspects of the roadmap need to be reconsidered.

When we calculated our first figures we were at the phase of validating hypotheses so it was enough to simply obtain an estimated result in order to decide whether to move forward with the proposed business model or not.

In the current phase we have passed from validating hypotheses to **validating action plans**. From here we will make the most important decision: **should we start the project?** Unlike the calculation of the

results of our first figures – for which we only had to take into account two types of elements, costs and revenues – we must now obtain further and more detailed information.

At this point, as well as financial elements such as *revenues and costs*, we need to complement our information with *charges and payments* as well as the combination of both in *investments and financing* in order to reflect the assets of the project.

These **six key elements** represent the figures needed for business projects and **should be taken into account in order to analyze the economic and financial feasibility** of a business project.

In order to ensure that their analysis is efficient, it is helpful to group these elements by their meaning and function using the following **three documents or essential statements**:

- **Income statement:** reflects the results, losses or benefits obtained from the difference between *revenues and costs*.
- **Cash-flow statement:** reflects the transactions, *charges and payments* and, as a result, the available balance.
- **Balance sheet:** reflects the *investments* and their *financing* and thus the highest or lower guaranteed assets offered by the project.

Understanding the meaning of these elements and the structure of these statements helps us to obtain a series of **parameters and indicators** that will **allow us to make strategic decisions in an agile manner**, and respond to issues that may surface when **analyzing the economic/financial feasibility and scalability of the project**.

Some of the parameters and indicators that provide concrete information from an economic/financial point of view are listed below:

- The **different results or margins** and the **scalability indicator (EBITDA)**.
- **CAC** and **LTV**.
- Cash **Available** and **Burn Rate**.
- Economic and financial **profitability** and **breakeven**.
- **Working capital**.

A spreadsheet has been designed to assist in handling “project figures”. This is more comprehensive than the one proposed for the elaboration of “first figures”. Its purpose is to develop the three essential documents automatically by inserting the figures correctly. From these documents we will be able to work out the necessary parameters and indicators – as mentioned above – in order to **carry out the economic/financial analysis of the projections put forward** in a rapid and efficient manner. **This tool** is annexed in this document and may be downloaded at: <http://a.eoi.es/entrepreneurmethod> where it is entitled “EOI’s e-Financial Plan”.

EOI's e-Financial Plan covers a two year period and is designed to “upload”, in the relevant cells, the monetary valuations of all actions as reflected in other actions plans such as the marketing plan.

Using **EOI's e-Financial Plan** tool we will be able to:

- Ascertain project income – sales forecast
 - What are we going to sell? – products, services (sheet 1)
 - At what prices? – selling prices (sheet 1)
 - How much are we going to sell? – estimate the number of customers to invoice (sheet 2) (sheet 9)
- **Ascertain how much it costs to obtain these revenues – costs and purchasing budget**
 - What costs are we going to incur? – costs structure:
 - Direct costs – sales and related purchases (sheet 3) (sheet 9)
 - Marketing on and off, CAC and LTV costs (sheet 4) (sheet 9)
 - Personnel costs (sheet 5) (sheet 9)
 - Remaining fixed or structural costs (sheet 6) (sheet 9)
 - Purchase terms (sheet 3)
- **Determine what investments we need – investments budget**
 - What investments do we have? Which ones need to be procured?
 - How are they structured? – what % is fixed or current assets (sheet 7) (sheet 9) (sheet 10)
- **Determine how these investments will be financed – financing budget**
 - How much do we need to we contribute? How much do we need to borrow?
 - How are they structured? – what % is own debt or debt of others – to repay in the short and/or long term (sheet 7) (sheet 9) (sheet 10)
- **Ascertain where the breakeven point is**
 - How much do we need to sell to cover costs? (sheet 2) (sheet 10)
 - Is there a market for achieving this? When will it be achieved? (sheet 6)
- **Anticipate any possible liquidity problems and determine when cash requirements may take place – budget plan**
 - When will our sales be paid for? – charging terms (% in cash, % of credit days granted to customers) (sheet 2)
 - How are we going to charge? – sales % as collection method in digital form (sheet 2)

- When are we going to pay for our purchases and/or direct costs? – payment terms (% in cash, % of credit days granted by suppliers) (sheet 3)
- How much money comes in from financing and when? (sheet 8)
- How much money goes out to pay investments and when? (sheet 8)
- What is the cash burn rate? (sheet 8)
- How will treasury shortfalls be financed? – reconsidering the financing (sheet 8)
- **Compare Treasury vs. Outcome – Liquidity vs. Profitability – indicators**
 - Outcome (+), treasury (+) = profitable and with liquidity. Feasible
 - Outcome (+), treasury (-) = profitable but will not survive as there is no liquidity. Not feasible
 - Outcome (-), treasury (+) = not profitable but may survive as there is enough liquidity. “Feasible” (sheet 6) (sheet 8) (sheet 9) and (sheet 10)
- **Analyze more economic/financial indicators**
 - Gross margin on sales (sheet 9) (sheet 10)
 - EBITDA (sheet 9) (sheet 10)
 - Indebtedness (sheet 10)
 - Capacity to repay the debt (sheet 10)
 - Economic-financial profitability (sheet 10)
 - *Pay-back* (sheet 10)
- **Create several scenarios**
 - A contingency plan should be ready (“what if...”) as the chances of meeting our expectations may not be very high.

(The sheet numbers in brackets refer to “EOI’s e-Financial Plan” spreadsheet which is **attached in the annex as an auxiliary tool** for this methodology). Available for consultation and download: <http://a.eoi.es/entrepreneurmethod>

8. Implementation Plan

In this section **we will identify and detail the main activities required for undertaking and developing the entrepreneurial project** and creating the future company.

Many tools may be used to represent a project action plan. The **Gantt Chart** or **Bar Chart** is one of the most used tools. It is a simple graph that **enables the display of task distribution over time**.

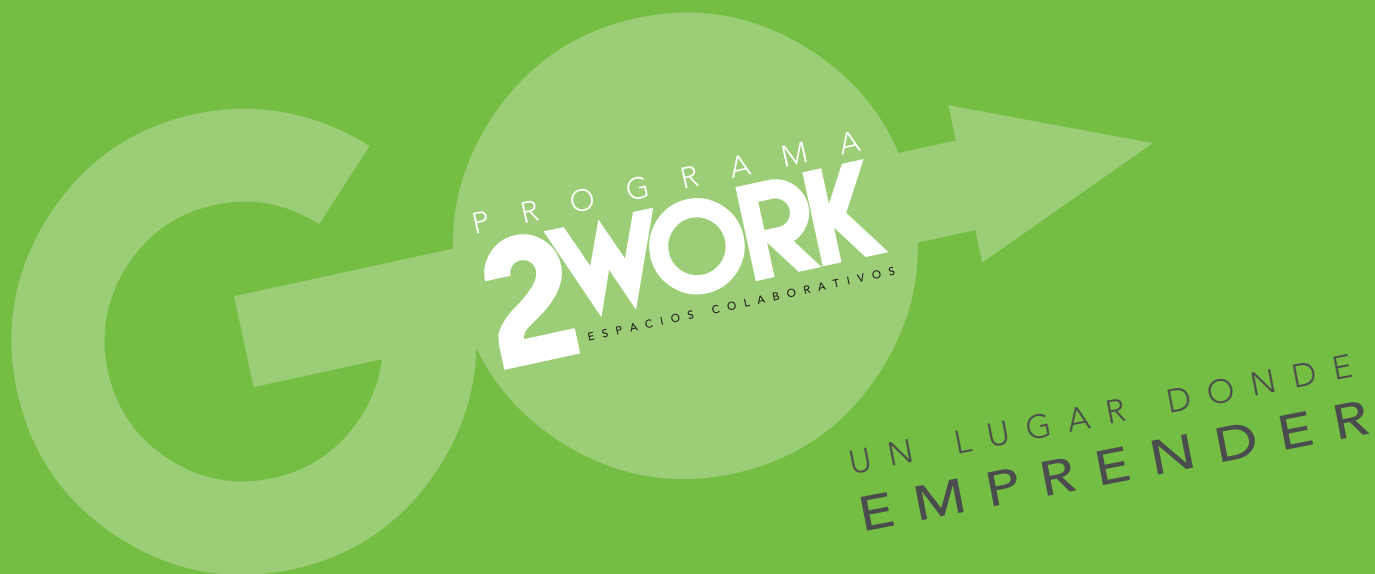
The task diagram is based on a table made up of rows and columns. **Rows represent activities and tasks while columns represent different implementation timeframes.** By using this diagram the entrepreneurial team makes a commitment to carrying out the main project activities by marking the cells that correspond to the time in which each activity or task will be carried out (usually in months). Each row thus displays a bar which enables us to locate the different activities or tasks over time.

Using this type of diagram we can show **the time sequence to be followed for undertaking key activities during the first months** of the future company. The temporal development of dates may be divided into months and quarters. To breakdown the main activities we can group them into areas such as: creation of the company; marketing actions; organization and teams; decisions or operational actions. We can also include information on who will be responsible for each activity and the budget allocated for carrying them out.

[illegible]

5

ABOUT THE AUTHORS



González de Souza, M^a Ángeles

As Academic Director of EOT (Official School of Tourism), M^a Angeles Gonzalez de Souza has developed different career plans for public and private organizations and has promoted the development of a range of institutions specializing in Tourism.

She is the author of a number of specialized papers on tourism psychology and one of her recent publications, “*El inventariado de los recursos turísticos: Un enfoque desde la demanda*” (Inventory of tourism resources: a demand-driven approach), includes some of the keys to understanding the decisive role that current and potential customers play in today’s changing environment.

In recent years M^a Angeles has participated as Director and lecturer in several specialized courses on innovation and advised a number of entrepreneurs on the implementation of their business ideas.

Martin Robles, Javier

As an entrepreneur: Javier has established Tecnoblogs, a company dedicated to the development of blogs about technology, and Social Media Factory, a marketing agency for social networks.

As a writer: Javier writes daily about start-ups for Loogic.com and on a weekly basis about innovation for the newsletter Futurizable.com. He is also the author of *Emprender Ligero* and *Smart Money*.

As an event’s organizer: Javier has promoted entrepreneurial events such as “*Iniciador*” and “*Smart Money*” for investing in start-ups.

As a lecturer: Javier collaborates with several universities and business schools where he lectures on marketing, innovation and finance.

Mazzoli, Silvia

Silvia Mazzoli has worked as a lecturer on marketing since 1998 and is a course director and mentor for entrepreneurial projects at EOI. She runs workshops and conferences on marketing, sales, entrepreneurship and communication. As an entrepreneur she has formally created three companies.

Silvia has been a collaborator with *Emprendedores* magazine since 2005. She is the author of “**11 Guías Prácticas**” for the creation of businesses in several different sectors. She also writes her own blog and manages the Social Media strategy of several brands.



Pérez Silvestre, M^a Vicenta

Over a decade ago M^a Vicenta left the family business where she worked in a positive entrepreneurial environment and has since combined her collaboration at EOI, as a lecturer on finance, course director, project mentor, author and creator of useful tools for the creation and management of SMEs – published in the SAVIA EOI repository – with advisory and training activities for different consulting agencies, accelerators, NGOs and public-private institutions.

Rivero Romero, Francisco Javier

Francisco Javier has tutored and mentored entrepreneurial projects with EOI since 2002. He is the project director of EOI's EMBA and a lecturer and consultant on entrepreneurship and innovation with different business schools and educational institutions. He conducts and coordinates the Creation of Companies Lean Startup educational program for Lazarus and writes for different blogs on entrepreneurship such as “*emprende a diario*” and “*emprendimiento, startups & co.*” Francisco Javier also collaborates as a mentor with Start-up *Inversores PFP* and with *Iniciador*, a community of entrepreneurs based in Toledo (Spain). He is the president of the NGO *Un Mundo Amigo*.

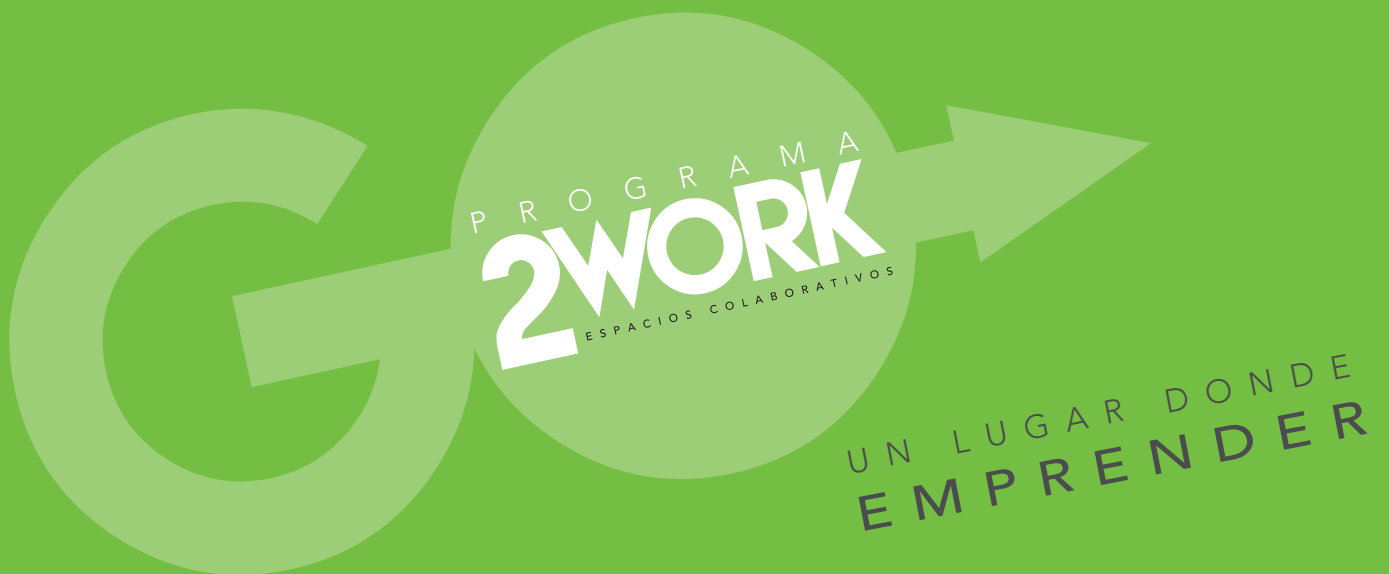
Verdú Saiz, Consuelo

Consuelo possesses a Degree in Economics from the Complutense University of Madrid, a PDD Executive Masters from ESADE (2011), a Masters in Customer Experience from EOI (2013-14) and is a graduate of the Advanced Executive Coaching Program at EOI (2015). She is passionate about customers, entrepreneurship and innovation, and research into ideas for new business models that add value in changing times. She is an expert on Customer Experience, project management and business innovation. Consuelo has been an accredited lecturer and mentor at EOI since 2012 and is a lecturer at Francisco de Vitoria University (UFV) in Madrid. She has collaborated for five years on Steve Blank's NEXT program Google for Entrepreneurs as well as with the Learn Startup Machine at ESADE and Start-up Weekend.

She is author of the chapter on Customer Experience for start-ups in the book ELS2014, Estado del emprendimiento en España: <http://els2014.com/> y <http://els2015.com/> Consuelo bases both her personal and professional life on the philosophy of ‘action’ and is passionate about helping people with their entrepreneurial business models.

6

BIBLIOGRAPHY AND REFERENCES



Bibliography

- Álvarez, Cindy: Lean Customer Development. O'Really Media (2014).
- Brown, Tim: How Design Thinking transforms organizations and inspire. Innovation Hardcover (2009).
- Claxton, Bruce: A user-centered model design or just design a black box. Creative economy. Mexico: pages 5-30. kpaniagua@centro.edu.mx (05) spring-summer 2016.
- Constable, Giff: Talking to humans. Success starts with understanding your customers. Steve Blank (2014).
- Dorf, Bob; Blank, Steve: The Startup Owner's Manual: The Step-By-Step Guide for Building a Great Company. Steve Blank (2012).
- Gothelf, John: Lean UX: Applying Lean Principles to Improve User Experience. UNIR Editorial (2014).
- Kelley, Tom: The ten faces of innovation: strategies for heightening creativity paperback (2008).
- Kidder, David S: Startup Playbook. Ediciones Gestión 2000 (2013).
- Liedka, Jeanne: Designing for growth - The art of Innovation. Columbia Business School Publishing (2011).
- López de Ávila Muñoz, Mario y de Miguel Visa, José A: España Lean Start-up 2015. El estado del arte del emprendimiento Lean en España (2016).
- Martins, Roger L: The Design of Business Innovation. Harvard Business School (2009).
- Maurya, Ash: Running Lean. UNIR (2014).
- Mootee, Idris: Design thinking for Strategic Innovation. Empresa Activa (2014).
- Morant Ferrer, Sara: Análisis del concepto coworking como bases del diseño de espacios de trabajo: aplicación al diseño de un espacio coworking en Valencia. Riunet. Universidad Politécnica de Valencia (2016).
- Osterwalder, Alexander y Pigneur Yves: Value Proposition Design. Deusto S.A. Ediciones (2015).
- Osterwalder, Alexander y Pigneur Yves: Business model generation. Deusto S.A. Ediciones (2011).
- Ries, Eric: Lean Startup. Deusto S.A. Ediciones (2012).
- Thiel Peter: Zero to One: Notes on Startups, or How to Build the Future. Ediciones Gestión 2000 (2015).
- Trías de Bes, Fernando. Libro Negro del Emprendedor. Basabel (2007).

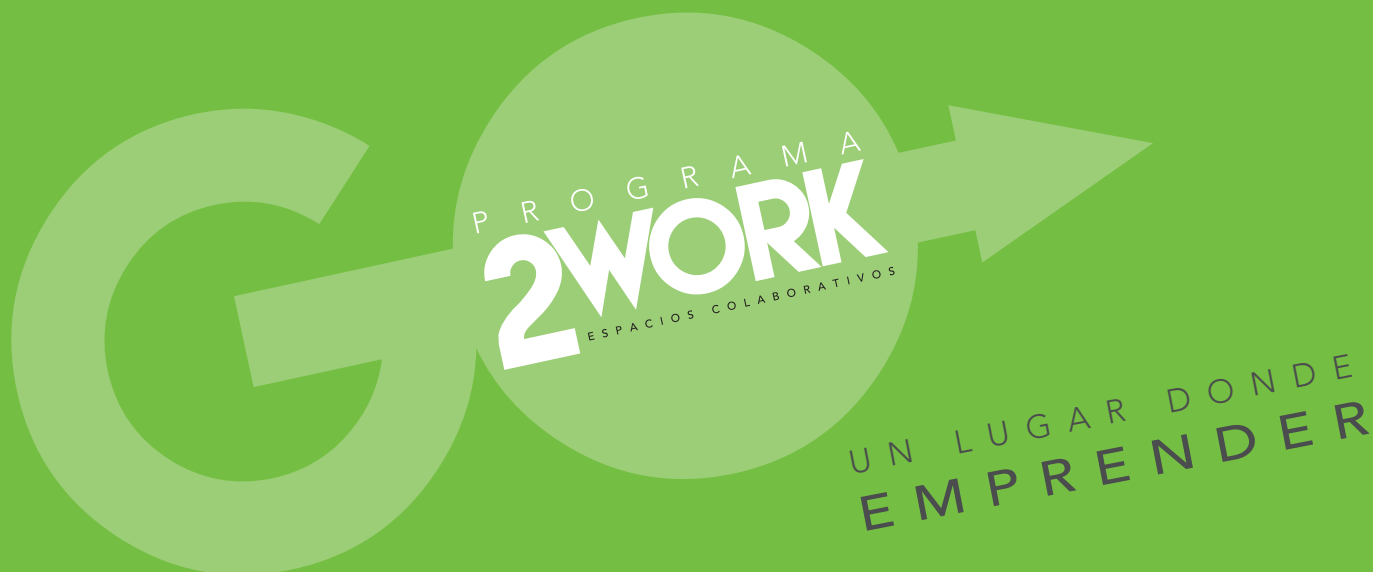
References

- <http://hdl.handle.net/10251/62073>
- <http://www.youngmarketing.co/una-breve-historia-del-co-working/>
- <http://laguaridacreativa.es/infografia-historia-del-coworking/>
- <http://dschool.stanford.edu/wp-content/uploads/2012/02/crashcourseplaybookfinal3-1-120302015105-phpapp02.pdf>
- <http://indeed.gabrielsimonet.com/Design-Thinking-como-estrategia-el-caso-IDEO>
- <http://designthinking.ideo.com/?p=51>
- <http://www.businessweek.com/stories/2009-10-19/national-design-week-thebusiness-of-design>
- https://www.youtube.com/watch?v=8AGTpu_i8sc

annex

1

**THE LEAN BUSINESS MODEL EOI
COWORKING PLAN**



1. Introduction

1.1. Project Presentation

In order to provide an overview that gives a first impression of your project, the following aspects should be explained:

- How did the idea emerge?
- What is the problem being addressed?
- What is the current status of project development?

1.2. Presentation of the promoter team

Describe the team undertaking the project and their most relevant personal or professional attributes for the business:

- What are your motivations for undertaking the project?
- A brief resume of each of the promoters in the company.
- Your level of dedication to this project.

2. Designing the business model

2.1. Empathy Map

The starting point for the implementation of your project should be the client. You should therefore prepare an empathy map of your idea or project in order to adequately identify the client for whom your project is aimed. This will help to define the value proposition to be developed. Please answer the following key questions related to the client for whom your project is aimed:

- What do they see? Take into account aspects such as the characteristics of their environment; their friends and people close to them; what alternatives the market is already offering them ...
- What do they say and do? How do they behave in public? What do they look like? What is their approach to offers from other companies? What contradictions do they have...?
- What do they hear? What do their friends, families, employees, employers or influential people around them say? What information do they get and via which channels ...?
- What do they think and feel? What is really important to them? What are their main motivations, concerns, worries, dreams and hopes?
- What are their main frustrations? What are the main obstacles to fulfillment of their wishes?



- What benefits might they obtain? What do they really want to achieve? How do they measure success? What strategies might they use to achieve it?

You may use the following template to create the empathy map: <https://docs.google.com/drawings/d/13rGGSx9-nkoN2x49ki6gRymoDNZd6jKopx6zzgEQ1Jl/edit>

2.2. Value Proposition

Explain the value proposition for your clients based on the results of your empathy map. You should explain aspects such as the solution you are offering, to whom is it offered to and why it is of value to them. Answer the following questions in order to understand the meaning of your company's value proposition:

- How does your company, product or service solve your client's problem or need?
- What benefits should your client expect from your service?
- Why should your client choose you and not your competitors? What is your differential value?
- Based on the results of the value proposition what will your product or service entail?

You may use the following template to create the value proposition of your project: <https://drive.google.com/previewtemplate?id=1U9OUU4fjWVcSAGSOKzWZjtGe6GYeyqbF3C1D17nOSJI&mode=public&ddrp=1#>

2.3. Business Model Canvas

Explain the different elements of your business model canvas: your customer segment; value proposition; targeting and communication channels; key activities and resources; description of the cost structure and income model.

- Explain the customer segment: Who are you intending to offer your business model to?
- Explain your customer relations: What kind of relationship will you maintain with your customer segment?
- Explain the communication channels with your clients: How will your customer segment know about or assess you, and how will they choose, buy and receive after-sales support?
- Describe your company's value proposition: What will you offer your customer segment? How will you solve their problems?
- Elaborate on the key activities of the company: What activities are crucial for your business model to work?
- Describe what key resources will be necessary: Will you require one or more key resources for your business model?

- Explain who your key partners will be: Who will be the key partners for developing your business model?
- Describe the cost structure of your company: What is your cost structure? What expenses will be the most important for your business model?
- Describe your company's source of income: How will your model be financed and obtain revenue?

You may use the following template to create the Business Model Canvas for your company:

https://docs.google.com/drawings/d/1ZimNRlioHIF08GUOuUgWe13lOrFR1-s9m-oFt_hnb8U/edit

3. Planning

Fill in and attach the following documents using the appropriate templates.

3.1. Marketing Plan

Explain the marketing mix variables, in particular the communication and sales strategies that you will undertake as well as your expected planning.

You may use the following template to create the Marketing Plan for your company: https://docs.google.com/presentation/d/1ebZdspC8kr-VyWhN_IECfolhvL4FqvAS_Jdb4I3iAJo/

3.2. Financial Plan (Excel)

Include the financial plan for your business in the Excel document: investment, funding, accounts, reimbursements, income statement, sales forecasts, cash management and key figures. To create your financial plan you may use of the spreadsheet provided by the project mentor.

You may use the following template to create your Financial Plan: <http://a.eoi.es/entrepreneurmethod>

3.3. Executive Summary

Provide a brief overview of your business data and its key identifying aspects. As this is a living document it will be developed alongside the project.

You may use the following templates to create the Executive Summary for your company:

https://docs.google.com/document/d/1mXQccL6QXNoMA19RfEQ1tnt7W_RsjlkYKh4NNnoUIN8/



3.4. Demo Day Presentation

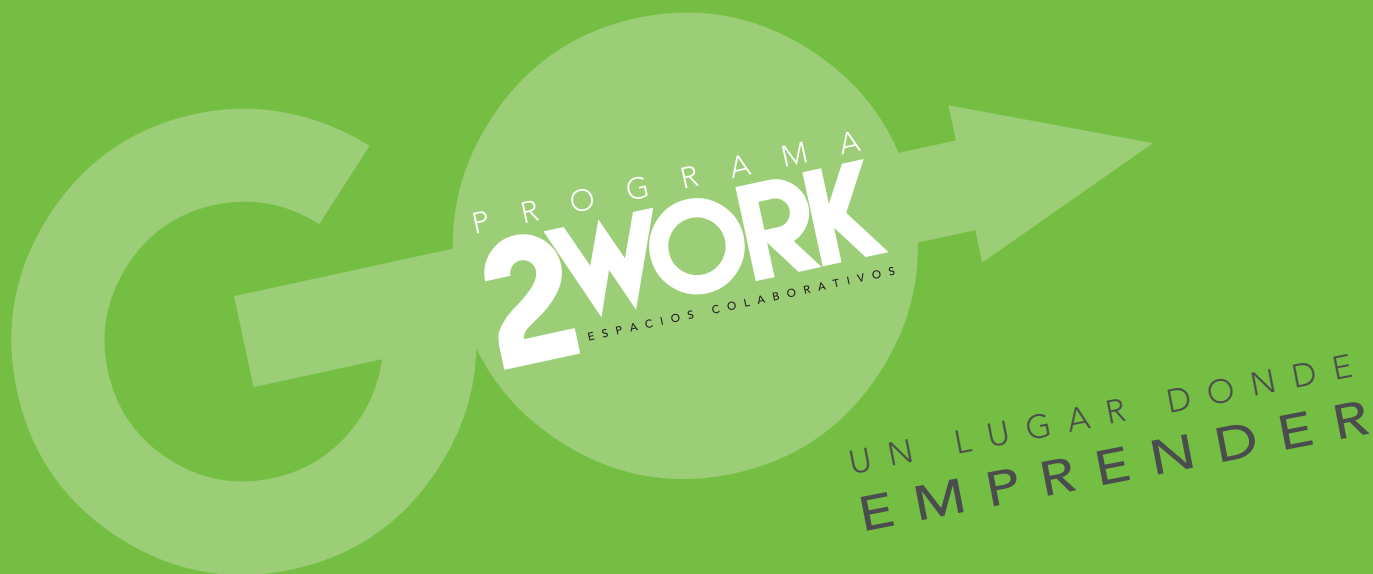
(Provide a graphic representation of your project with a description of your team, the problem and solution, the product and market, business model, marketing strategy, current and expected results, financial projections and needs, etc. The Demo Day presentation is the result of all the work carried out during the 5-month period of participation in EOI Coworking and summarizes all aspects of the Lean Business Plan)

You may use the following templates to prepare your company's presentation for Demo Day:

https://docs.google.com/presentation/d/1voMaEp_A7WQLicJSKD6PowEsBptTv2MQKCmShshbCGo/

annex 2

HOW TO USE CROWDFUNDING WITHIN
EOI'S AGILE ENTREPRENEURSHIP
METHODOLOGY FRAMEWORK



In just a few years crowdfunding has become a real alternative to the traditional financing methods such as seed capital, venture capital, public funding and bank financing that entrepreneurs used to turn to. Today, thanks to the power of social networks and the development of a collaborative economy, entrepreneurs are increasingly turning to collective financing to start-up their projects. Crowdfunding is also an excellent tool to validate a business idea and model as the people who help to finance a project also become the first customers of the company. Crowdfunding also assists entrepreneurs to get their projects known, especially online where a new business initiative can currently achieve greater impact.

Since crowdfunding became popular at the beginning of 2010 many entrepreneurial projects have been launched using this new method of financing. Some of the data that supports this includes: the most important platform worldwide is Kickstarter which, since its launch, has helped to finance over 100,000 projects with an economic contribution of more than 2 billion dollars. In Spain, the most important platform, Verkami, has helped to finance over 4,000 projects with a contribution of more than 18 million Euros. As well as these platforms there are many others across the world so it is easy to believe that these figures can be doubled and that crowdfunding is having a huge impact on the financing of entrepreneurial projects.

Crowdfunding is presented as a complementary tool to the ones proposed by our Agile Entrepreneurial Methodology. It may be used by entrepreneurs for different development phases of their projects depending on the specific needs that may arise. In order for an entrepreneurial project to be able to use crowdfunding it is important to considerate the following aspects:

1. **We should not make crowdfunding adapt to our project but, in order to make the most of it, consider instead how we might adapt** to how crowdfunding works. This is because crowdfunding has different working methods which are developed by its users. We should therefore not try to accommodate it to our needs but seek to understand it well and adapt our project to its way of working so that we obtain the maximum benefit from its use.
2. **There are different crowdfunding modalities.** The most important include:
 - Pre-sales crowdfunding.
 - Investment crowdfunding.
 - Donations crowdfunding.

Almost any project can use these crowdfunding modalities to take advantage of the benefits collective funding may offer. In each case, depending on the situation or needs of their company, it is the entrepreneur who will decide what type of crowdfunding to use and how to get the maximum benefit for their project.

Pre-sales crowdfunding appears to be ideal for those projects in which customers are willing to pay for a product or service in advance, accepting that this may entail having to wait for months to receive the product or service. This type of crowdfunding is widely-used, for example by musicians who wish to produce a record and ask their fans to help cover recording costs. In exchange fans can access and listen to the music when it is recorded or attend a concert or exclusive event. This type of crowdfunding is used to finance products or services that may take some time to reach the market, and for which initial financing is required from customers themselves. In Spain, culturally-related products such as music, films, books

or events have made successful use of this method. At international level, pre-sale of innovative physical products such as bicycles, electronic goods, fashion or decoration are also working very well using this method.

When people are unwilling to pay for the type of product or service we want to finance in advance because, for example, it needs to be tested before buying or when the buyer is a company rather than an individual, pre-sales crowdfunding is not easy to use. It may therefore be better to turn to **investment crowdfunding**. In this case, small investors act as intermediaries that enable the project to go forward and who receive an equity stake in the company in exchange. The difference to forms of traditional financing is that these small investors may also be customers. With many people contributing small quantities to the company no one has a disproportionate percentage of shares or decision-making power within the company. The entrepreneur can thus maintain independence and decide the business strategy.

Compared to traditional financing methods, investment crowdfunding offers an interesting range of advantages through investors such as business angels or venture capital funds. The investment is made online and it is the entrepreneur who sets the terms and conditions in terms of funds sought and company value. Unlike traditional financing methods, no negotiations with investors are involved. The equitable nature of the crowdfunding platform helps the company to articulate its relationship with the investors and the legal issues related to the investment cycle.

The **advantages** that crowdfunding may offer an entrepreneur for the development of their project, include:

1. **Launching a new product into the market:** when an entrepreneur has an idea and is considering whether or not to put it into practice, they need to decide upon the best moment to go out into the market, whether the product or service developed is in the best condition to be launched, and whether the market will be ready to adopt the company's value proposition. If we want crowdfunding to finance our project we will have no other option than to go out into the market quickly as, in order to undertake a crowdfunding campaign, it is necessary to get recognition for the project through a good crowdfunding campaign that enhances the product's potential to be successful. For an entrepreneur, this method of crowdfunding may be a good way to enter the market rapidly, thus avoiding excessive delays in project implementation.
2. **To get market recognition for a new product:** as mentioned above, many entrepreneurs have concerns about the best way to get market recognition for a new product or service. In order to succeed in a crowdfunding campaign we must develop a communication and marketing campaign via blogs, social networks and media to help us reach those communities of users that may be interested in buying our product. Crowdfunding includes marketing and, as both financing and marketing are conducted at the same time; it can be more beneficial for the project due to the time saved and the synergies implied in such an approach.
3. **To validate a business idea:** when we launch a pre-sales crowdfunding campaign and manage to get people to collaborate through the rewards that have been decided, people are validating our idea by their willingness to pay for a product that does not yet exist or for which they will have to wait several months. When a person advances their money through a crowdfunding campaign in order to acquire a product they demonstrate a stronger commitment than they would for a product purchased

directly in a conventional or online shop. People that participate in crowdfunding campaigns thus have greater motivation in supporting the product they are about to buy. They may even be described as “fans” of the product or concept because they are willing to pay in advance for something they have not even tried.

4. **To validate a business model:** in a pre-sales crowdfunding campaign the entrepreneur must put a price on their product. This price is defined by the different rewards proposed during the campaign. As well as validating the idea through the crowdfunding campaign we can thus also validate the business model as we will know whether people are really willing to pay the price that we have set for the product. Defining the price of a product or service is complicated for many companies: using a crowdfunding campaign we are therefore speeding up the entire process of developing our business. If we do this via an investment crowdfunding campaign, the validation of the business model will be endorsed by revising the business plan in line with whether or not people are willing to invest in it. In this way we are taking advantage of the collective intelligence of people with experience in the business field who, by investing, will be demonstrating that they trust the project and the business model we want to develop.
5. **To finance the placing of a new product on the market:** we can obtain resources to support the commercialization of our product or service on the market whether we carry out a pre-sales crowdfunding campaign or an investment crowdfunding campaign. With a pre-sales campaign we will achieve some early adopters and will be able to start manufacturing the product or providing the service with the funds obtained. With an investment campaign, investors will contribute the necessary resources to enable our company to enter the commercialization phase. In both cases, crowdfunding offers interesting opportunities and an alternative to traditional forms of financing such as bank financing, venture capitalist and public funding.

Crowdfunding within the funding framework for innovative projects:

Crowdfunding is a good option for an entrepreneur to use to develop their project as it may complement other traditional sources of financing. Different types of financing and their use during the development of a project are outlined below:





Seed Stage

The initial stage in which the entrepreneur has a business idea and the development of their product or service has begun. At this point the team is small and may be formed by the entrepreneur and another partner working to create a minimum viable product with which the company might go out into the market. The usual financing sources in this phase include: the entrepreneur's own resources, loans from banks with specific financing schemes for entrepreneurs (e.g. Banco Sabadell and Caixabank), loans from people from the entrepreneur's environment (FFF) and crowdfunding.

Early Stage

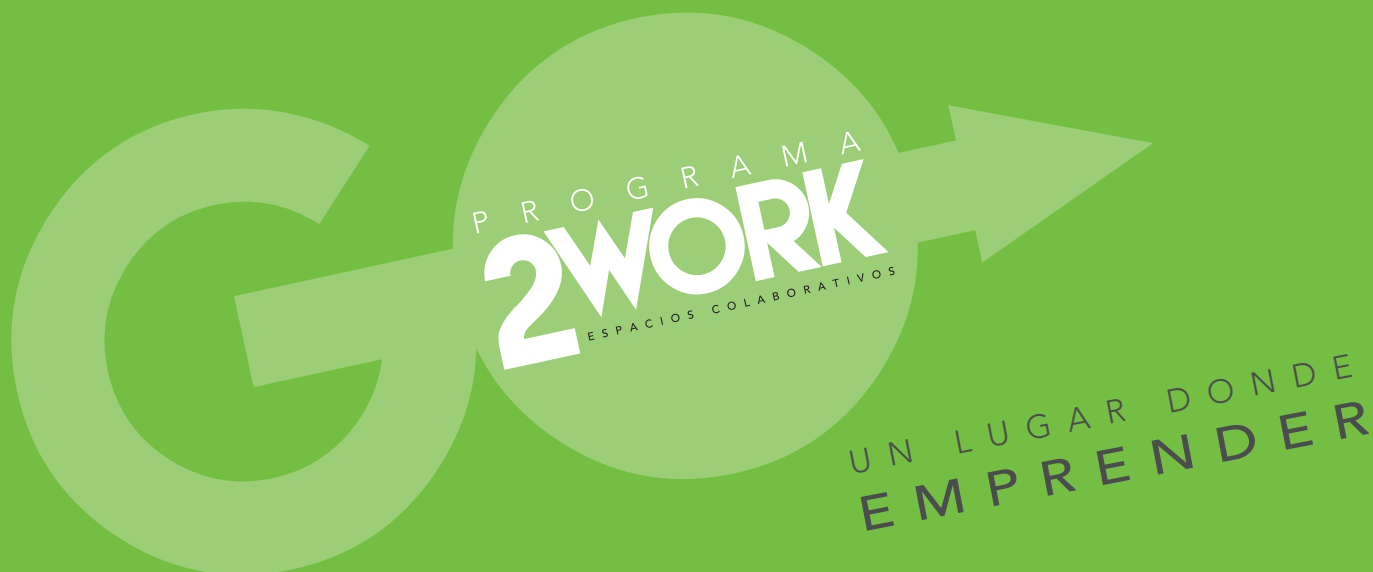
At this stage the company already has a product or service on the market and is starting to get a critical mass of customers that allow it to generate business. The company is beginning to grow in an incipient manner in terms of the working team, customer acquisition and business volume. Financing sources at this point include business angels, small seed capital, equity crowdfunding and public funding through entities such as ENISA (Spain's Innovation National Enterprise limited company).

Growth Stage

This stage is when the business model has already been created and has achieved a relatively strong position in the sector as well as some steady profits. At this point the company may need financing to enhance their products or services and make them more competitive so that it can gain a larger market share. The financing sources available in this case include: venture capital and public funding from ENISA and CDTI (Spain's Centre for the Development of Industrial Technology).

annex 3

IDEAS FOR A MENTORING
METHODOLOGY AT EOI'S
COWORKINGS



UN LUGAR DONDE
EMPRENDER

Motivation

“This is perhaps the best time in the history of business to build a new enterprise. The confluence of breakthrough technologies, acceptance (and even celebration) of entrepreneurship, different crowdsourcing options, crowdfunding opportunities and legacy markets ripe for disruption— all create a compelling (and unprecedented) scenario for new company creation. Furthermore, traditional risk areas have been mitigated like never before”. Salim Ismail, founding Executive Director of Singularity University, and author of Exponential Organizations.

What is a mentor?

- A **sponsor** who walks the entrepreneur through different development **stages** until their project achieves success.
- A **coach** who supports the entrepreneur to set **objectives** and encourages them to put all their working effort into attaining them.
- A **friend** willing to **listen**, understand and comfort when difficulties arise as well as show the entrepreneur that it is within these difficulties that great opportunities lie.
- An **adviser** working with the entrepreneur to find the best way to develop a project and turn it into a profitable **business**.
- A **connector** offering their **networks** to the entrepreneur to make the most of the opportunities that emerge from these connections in their business environment.

How can a mentor help an entrepreneur?

- **Advice** and counseling on different company aspects:
 - Resolving queries.
 - Helping to resolve problems faced by the company with the team, financing, product, customers...
 - Ensuring evolution of the company based on the application of a coworking-driven methodology.
 - Reviewing and advising on the preparation of documents such as the business plan and executive summary.
 - Preparing a project presentation for investors, tenders or customers.
 - Advising on how to seek financial support and introduce yourself to investors.
- **Supporting** the entrepreneur in personal aspects:
 - Helping the entrepreneur to find their purpose with the company and the motivations that lead them to create a company.

- Promoting critical thinking so that they continue in a learning and improving process mode.
- Discovering the most significant innovation tendencies within the company's area of activity.
- **Following up** on the application of the Lean Startup Methodology:
 - Defining or designing a business model by following the processes for creating the Business Model Canvas and validation.
 - Helping to define the start-up's marketing and commercial strategy.
 - Helping to better understand the competition faced by the company and the market in which it competes.
 - Helping to better understand the strengths and weaknesses of the entrepreneur, the team and the company as a whole. SWOT analysis.
- **To further understand** the issues addressed during the coworking workshops organized by teachers:
 - Resolving queries.
 - Finding a better way to apply them in the company.
 - Following up on their implementation within the company.



What does the mentor receives in return for their work with the entrepreneur?

- **Remuneration:** all work carried out professionally deserves an economic remuneration. This remuneration does not just have to be financial; it can also be through different ways of participating in the company such as at stockholder level or in the benefits the company may produce.
- **Emotional:** when a professional has been successful in their work they often feel a natural desire to share their experience and give back to society a share of what they received to succeed. Many people thus have a special motivation for helping other entrepreneurs with their projects.
- **Reputation:** collaborating as mentor of an entrepreneurial project transmits a good image and may be a good way of promoting oneself and showing an interest in other professional and business areas.
- **Learning:** the best way to learn something is to teach it. This is why the **self-taught** ability of many entrepreneurs is so important. Helping an entrepreneur to resolve the problems their company will face also offers the mentor a fantastic learning opportunity.
- **Opportunities:** by being part of an entrepreneurial project the mentor is exposed to an **ecosystem** that is different to the usual one and through which new business, professional or personal opportunities may be offered.

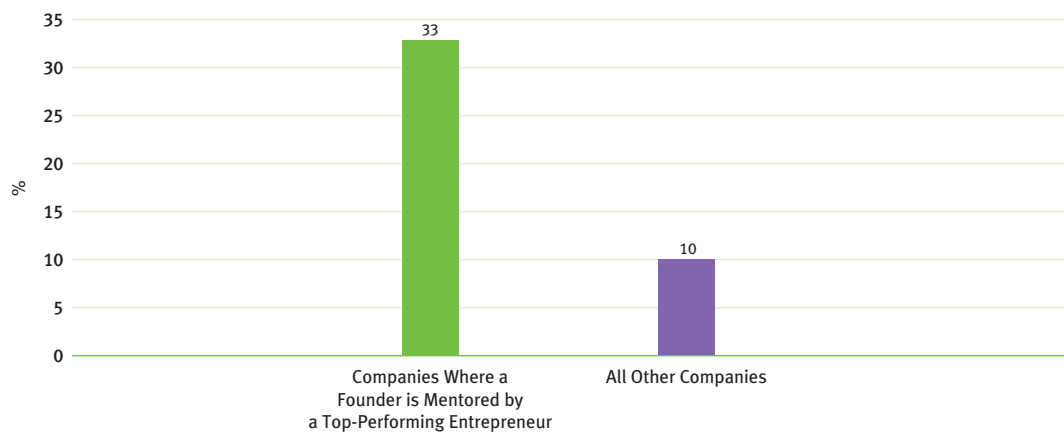
Some ideas about mentoring with entrepreneurs

- Mentoring should be planned. In order to make the most of the working time that the entrepreneur and the mentor spend together there should be a schedule. Work should be carried out on a series of established themes with no room for improvisation.
- The mentor should set objectives for the entrepreneur to work on during the mentoring sessions in order to make the most of their availability during the mentoring sessions.
- Should the mentoring be carried out within the framework of a speeding up or training process, the mentoring schedule and objectives should be agreed with the people responsible for the speeding up or training program. (In the case of EOI's coworkings with the in-house mentor).
- Mentoring should be followed up by email, telephone or videoconference and not be limited to face-to-face meetings. This will enable continuous follow up of project evolution and show the entrepreneur that they can turn to the mentor whenever they need to.

References

- Carlos Blanco is a successful entrepreneur and investor. In his **blog** he showcases how important mentoring is for start-ups: *“When I was designing the functions of an accelerator I wondered what the startup accelerators already working in Spain lacked. I only had to look at what was happening in the U.S. to realize: here we lacked real mentoring. Years later, studies have demonstrated that a good mentor provides start-ups with a powerful boost. Endeavor Insight carried out a **research** among thousands of companies in New York’s technology sector in order to draw clear conclusions about why some were successful and some were not. And the figures speak for themselves: 33% of start-ups mentored by successful entrepreneurs were successful against 10% of start-ups that had not gone through accelerators or did not have mentors”.*

Percentage of companies that are Top-Performers. Analysis of New York City Tech Firms Founded From 2003-2013



Source: Endeavor Insight analysis.

- Iñaki Arrola is currently one of the most significant investors in Spain’s start-ups scenario. In his blog he shares his personal opinion about the pros and cons of turning to mentors for an entrepreneur: *“a mentor should be a person that gets involved in your project, who can be held to account and whose participation you value. You have to be very DEMANDING; either you have the best mentors or none at all because giving shares away to someone mediocre is very dangerous”.*
- Rodolfo Carpintier, DaD President, is a recognized investor who shares his opinion in **Expansion** (a Spanish economic and business newspaper) about the issue of mentoring entrepreneurs. *“Generally, we find mentors that have been successful with their own companies in the market that now offer their experience to others and professionals who support new ideas from business schools. The first ones offer a more practical vision while the others are more technical. The ideal would be a combination of both, which is a profile that may be found in business accelerators and incubators”.*
- **Techcrunch** is one of the most significant information media outlets on issues related to entrepreneurship and start-ups at global level. *“Entrepreneurs dedicate hundreds of hours to fundraising from venture capital business angels and investors. These activities are clearly important, however, recent data*

analysis on start-ups suggest that founders should also dedicate significant time to something overlooked by many people: the recruitment of great masters. This simple strategy may increase the success possibilities of a company more than anything else”.

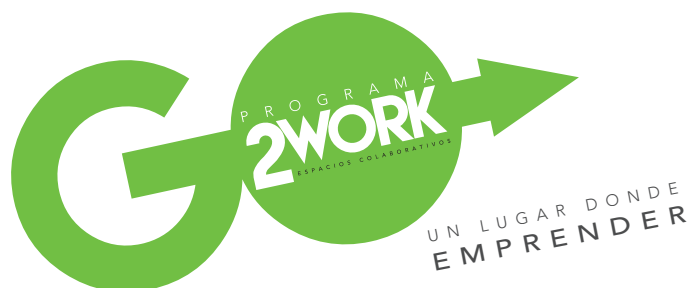
- **Blogthinkbig** shares a series of experiences from entrepreneurs working with entrepreneurs on a voluntary basis: *“They do not seek fame or money. Nor do they expect acknowledgment. They were entrepreneurs who now altruistically contribute their knowledge to guide an entrepreneurial project to success. That is the mentor’s objective and their reward”.*

Conclusion

“The world’s biggest problems are the world’s biggest business opportunities” Peter Diamandis

A mentor is a professional that helps the entrepreneur to look at problems as opportunities and to realize that every time a problem is resolved they are a step closer to success.

agile entrepreneurship methodology
for the **creation**
of **innovative**
businesses
the EOI experience



EOI Escuela de
organización
industrial

CAMPUS MADRID

avda. gregorio del amo, 6
ciudad universitaria
28040 madrid
tel: (+34) 91 349 56 00
informacion@eoi.es

CAMPUS ANDALUCÍA

leonardo da vinci, 12
isla de la cartuja
41092 sevilla
tel: (+34) 95 446 33 77
infoandalucia@eoi.es

CAMPUS MEDITERRÁNEO

Presidente Lázaro Cárdenas del Río
Esquina C/ Cauce
Polígono Carrús
03206 Elche (Alicante)
tel: (+34) 96 665 81 55
eoimediterraneo@eoi.es

with the co-financing of



Unión Europea
Fondo Social Europeo
El FSE invierte en tu futuro

www.eoi.es