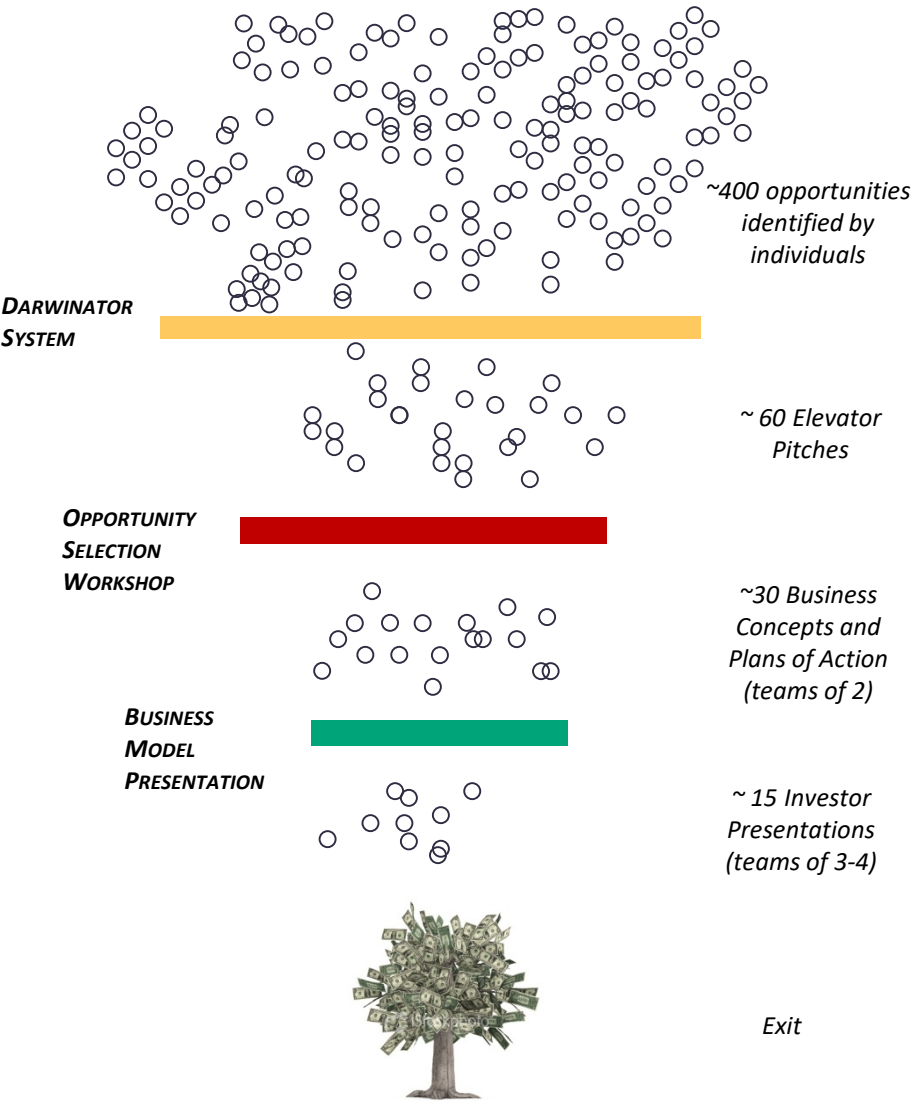


# OID614: INNOVATION THROUGH IDENTIFYING NEW BUSINESS MODELS

## IDEA TOURNAMENT



## LEARNINGS

- Idea Generation
- Idea Selection
- Idea Presentation
- Business Model Generation
- Business Model Refinement
- Product-market fit



**TASK  
PRIORITIZATION**

**BUSINESS MODEL  
ANALYSIS**

better place



# COURSE INFORMATION

**PROFESSOR SERGUEI NETESSINE**

**TA: TAYLOR CAPUTO**

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## COURSE STRUCTURE

OID614 is an experimental workshop that combines three novel approaches to Innovation/Entrepreneurship: *Business Model Innovation*, *Idea Tournaments* and *Lean Startup*. Business Model Innovation is a novel technique to identify entrepreneurial opportunities via innovating the business models in existing competitive industries. Idea Tournaments is a process that leverages the wisdom of the crowd for entrepreneurial opportunity generation, selection and refinement. Lean startup philosophy prioritizes tasks to limit entrepreneurial risk. Taken together, these approaches are in contrast to the conventional serendipitous, solitary process of entrepreneurship and instead provide a systematic risk-limiting pathway to realizing entrepreneurial outcomes.

As a class, we will follow these techniques and jointly start one or more new ventures. We will use scientific principles to generate about 1000 new business opportunities and through a variety of selection mechanisms, we will filter and develop these opportunities until two dozens or fewer outstanding business concepts remain. Students who have entrepreneurial passions will be encouraged to take these concepts forward with a team of classmates in Q4. The plan is illustrated on the preceding page.

Alumni of this course have gone on to develop multiple successful businesses and have realized significant financial gains from the ideas generated and developed during this course.

## WARNING

Alumni describe this course as a twisted combination of American Idol, The Apprentice and The Survivor. Outside of reality television, this is highly unusual. It is also totally and completely voluntary and optional elective.

The techniques, tools and approaches followed in the course are all derived from recent and ongoing research. Like with any alpha product, the course structure and exercises *will* change during the course as our knowledge of what works in entrepreneurship and innovation develops.

## COURSE WORK

The context of searching and refining an entrepreneurial idea provides many rich problems with which to develop the tools and methods in the course. Thus, all work for this course is focused on real problems related to advancing the business concepts we will generate. Each exercise will help us refine and help take our business concept to the next stage. There is no "make work", or make believe exercises for this course. Of course, real work is often much more demanding than make-work, thus participants should budget an exceptional workload from the course. No audits are allowed.

# COURSE POLICIES

## RESPECTING INTELLECTUAL PROPERTY AND ETHICAL BEHAVIOR

The ideas generated and shared are assumed to be the property of those who submit them. [The originator may enter any mutually agreed contract with other team members.](#)

Of course, basic ethical behavior is assumed.

These ideas should not be shared outside of the class without the permission of the originator.

No idea should be replicated within the class.

In the event of a breach of these rules, disciplinary action under the rules prescribed by Wharton student policies may be initiated.

I have not seen any breach of the above expectations; Nevertheless given the multi-campus structure and no judicial precedence with respect to a course like ours; I can not guarantee that if these expectations are breached there will be totally water-tight legal protection.

## TEAM FORMATION

The course starts with individual work, we re-organize in teams of two midway during the class.

This process is designed to identify the most promising opportunities and to re-allocate our resources to these opportunities.

If your idea is not eliminated, you will be responsible for finding new members of your team. Put differently, you are now given the right to integrate more team members to work on your idea. If your idea is eliminated you will need to pair up with a surviving project/team.

**Learning Objective:** I understand that some of you may not be able to find your ideal team mates and partners. However, I think the ability to recruit talent after your idea has been granted more resources, and the ability to become a productive and useful part of a new startup team are all necessary skills for any aspiring entrepreneur. Further, new ventures tend to have very high turnover. So these situations are very common in practice. This team formation exercise will give a small flavor of these situations.

## GRADING

The primary gain from the course is learning a systematic, risk-limiting technique for entrepreneurship and grading has no place in a course like this. Nevertheless, the administration requires to have a grading scheme. There will be no exam or final report and only basic effort put into the class simulations (and not results) will be evaluated by me, by TA and by your peers. My goal is to help each one of you identify real business opportunities. If you are taking this course, do not think about grades.

Approximate grading scheme is: Class participation and attendance (25%); Individual work. Peer Evaluation (15%) + Professor Evaluation (10%); Group work. Peer Evaluation (30%) + Instructor Evaluation (20%)

# 1. THE MYTHS OF ENTREPRENEURSHIP

## REQUIRED READING:

1. Course Outline

## FUN READING:

1. Read as many posts as possible on my blog, [RenaissanceInnovator.com](http://RenaissanceInnovator.com)

## PROJECT ASSIGNMENT (COMPLETED INDIVIDUALLY BEFORE START OF NEXT CLASS):

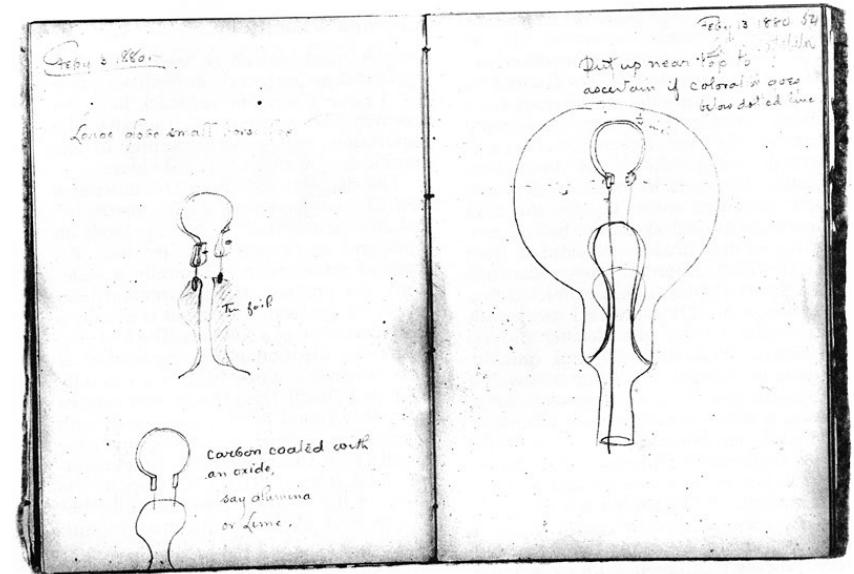
1. Add blogs [RenaissanceInnovator.com](http://RenaissanceInnovator.com), [techcrunch.com](http://techcrunch.com), [springwise.com](http://springwise.com), [venturebeat.com](http://venturebeat.com) to your favorite RSS reader
2. Start thinking of some new business ideas. For purposes of the course and for your future entrepreneurial career, the most valuable businesses are those that:
  - Do not involve any novel technology or new product design.
  - Require relatively limited capital investment and a few weeks of effort to get to a validated business concept.
  - Serve markets that include 25-35 year-old professionals, and not some hard to access niche market. Our course methodology will only allow us to test such ideas



# 2. OPPORTUNITY GENERATION I

## FUN READING:

1. "[Where the best and worst ideas come from?](#)", MIT Sloan Management Review Interview with prof. Karan Girotra. Contains synopsis of research on idea generation. Full paper available via [SSRN](#)
2. "[Good Ideas and How to Generate Them?](#)", Chapter 2 from book "Why Not?: How to use everyday Ingenuity to solve problems Big and Small" by Barry Nalebuff and Ian Ayres. [Buy book at Amazon.](#)
3. "[Could anyone have thought up Hotmail?](#)" Book Excerpt from "The nudist on the late shift" by Po Bronson. [Buy book at Amazon.](#)



Sketch from one of Thomas Edison's lab notebooks.

## PROJECT ASSIGNMENT (COMPLETED INDIVIDUALLY BEFORE START OF NEXT CLASS):

1. Based on techniques learned in class today, generate \*at least\* ten opportunities for a new business. An opportunity is a novel match between a customer need and a solution to that need. The novelty arises from identifying latent needs, new solutions or superior ways of "delivering" the solution to the need. For purposes of the course and for your future entrepreneurial career, the most valuable businesses are those that:
  - Do not involve any novel technology or new product design.
  - Require relatively limited capital investment and a few weeks of effort to get to a validated business concept.
  - Serve markets that include 25-35 year-old professionals, and not some hard to access niche market.Our course methodology will only allow us to test such ideas
2. For each of the opportunities, generate a descriptive title and an exciting 50 word description. The description should identify the novel element– the need, solution or delivery mechanism and make a strong pitch for the business opportunity. Save titles and description. You will be required to enter them into a web-based system in a few days.
3. You should have received an email invitation to our web-based high throughput idea screening system, the Darwinator. Reply to the invitation and setup your account. Familiarize yourself with the interface.

# 3. OPPORTUNITY GENERATION II: BUSINESS MODELS

## REQUIRED READING:

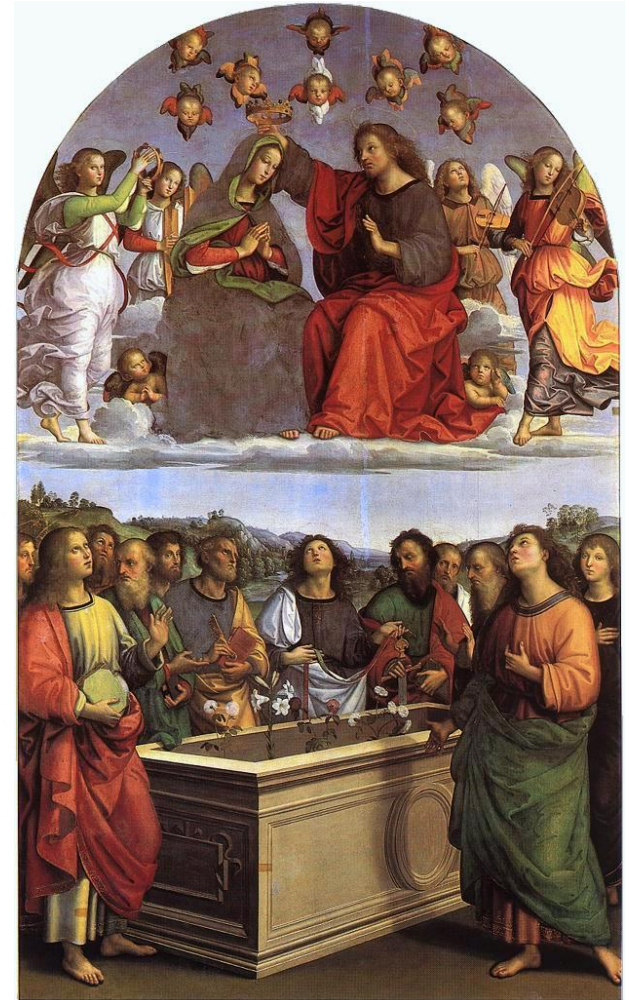
1. [“How to build risk into your business model”](#), Karan Girotra and Serguei Netessine, May 2011, *Harvard Business Review*. Available only in course-pack for copyright reasons.
2. [“Four paths to business model innovation”](#) Karan Girotra and Serguei Netessine, July-August 2014, *Harvard Business Review*. Available only in course-pack for copyright reasons.

## PROJECT ASSIGNMENT (COMPLETED INDIVIDUALLY BEFORE START OF NEXT CLASS):

1. Based on techniques learned in class today, generate *\*at least\** 10 opportunities for a new business. For purposes of the course and for your future entrepreneurial career, the most valuable businesses are those that:
  - Do not involve any novel technology or new product design.
  - Require relatively limited capital investment and a few weeks of effort to get to a validated business concept.
  - Serve markets that include 25-35 year-old professionals, and not some hard to access niche market.

Our course methodology will only allow us to test such ideas

2. For each of the opportunities, generate a descriptive title and an exciting 50 word description. The description should identify the novel element– the need, solution or delivery mechanism and make a strong pitch for the business opportunity. Save titles and description.
3. You have now generated over 20 opportunities. Select the best 5 of these, and submit them to the Darwinator. Do not rate opportunities now.
4. Sometime **later**, visit the Darwinator again and start voting on *\*at least\** 100 different opportunities. You are encouraged to vote on as many opportunities as possible.



The [Coronation of the Virgin](#) 1502-3, by Raphael

# 4. OPPORTUNITY PITCHES

## PROJECT ASSIGNMENT (COMPLETED INDIVIDUALLY BEFORE START OF CLASS):

1. Consider the Darwinator data for the opportunities you identified. You can access this data by logging back into the Darwinator. Based on that data, your own beliefs and passions, and any additional investigation you have done, select one opportunity to pitch to the group in class today. **THIS OPPORTUNITY MUST NOT BE ONE THAT SOME OTHER CLASSMATE HAS IDENTIFIED, UNLESS YOU OBTAIN PERMISSION FROM A CLASSMATE TO USE THEIRS.** You are free to choose an entirely new opportunity that was not identified by any other classmate.
2. Prepare a 60-second pitch and a single PowerPoint/PDF slide for one opportunity. (The nice thing about a 60-second pitch is that you can practice it 30 times in just 30 minutes. Please do!). Use the presentation to convince your classmates that there is a legitimate, untapped, profitable business opportunity. Typically, at this stage you need not make a business case, but you just need to excite the class about the opportunity and your capabilities. A pitch could be direct advertisement of the product/service to the class.



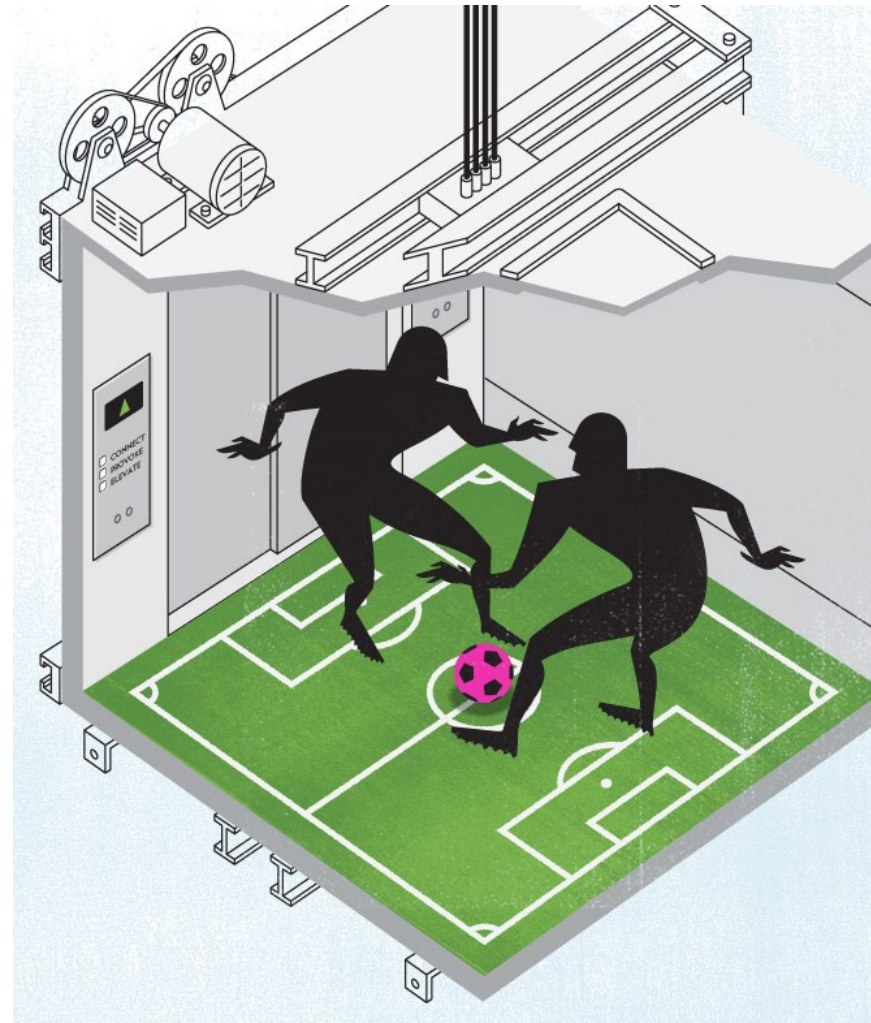
## STUFF TO HAND IN A DAY BEFORE CLASS:

1. A single Powerpoint slide (1 page graphic) describing your opportunity (.pdf, .ppt or .pptx formats only). Include a name of the opportunity. We will integrate this slide into a single deck for use in class. (Please make sure to include your name on the slide and your last name in the file name.). PLEASE AVOID ANIMATION. Make sure your graphic is an attractive and appealing. It will be your main advertisement medium (point 2 below). The Appendix of this outline contains some resources to help you make good business presentations.

# 4. OPPORTUNITY PITCHES (CONTD.)

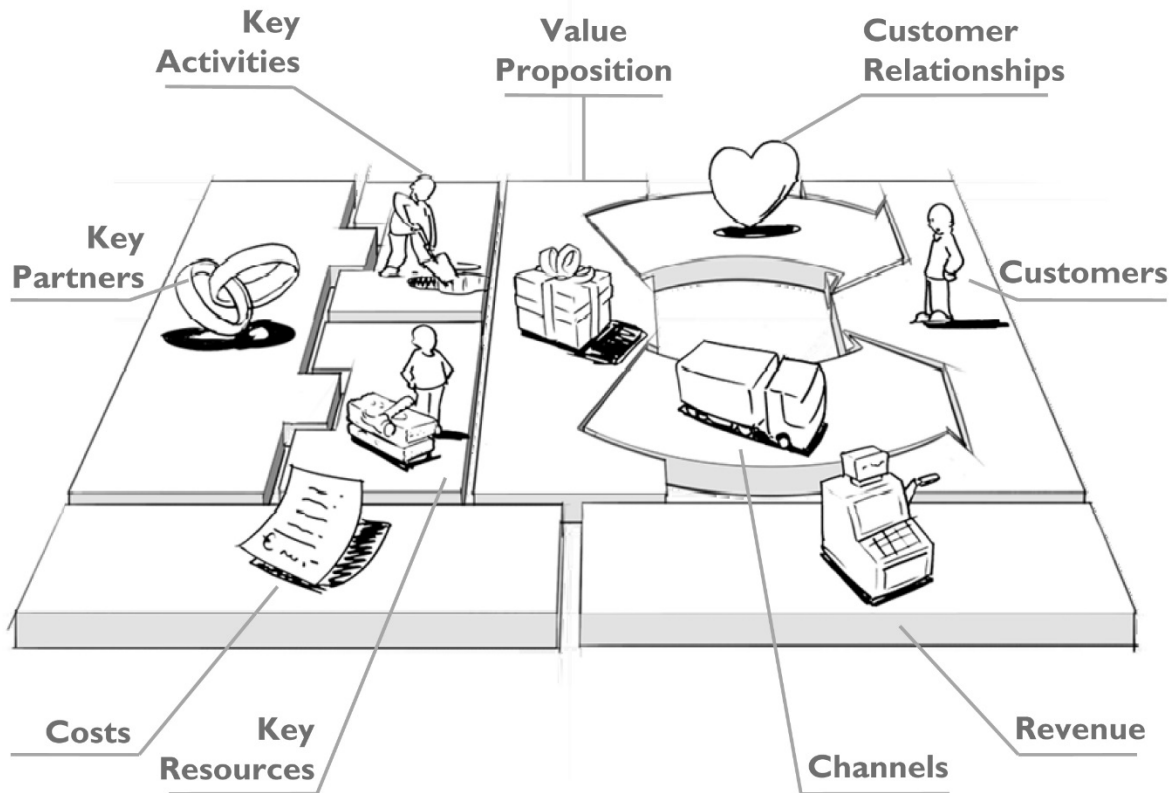
## CLASS LOGISTICS:

1. Please bring a timer or any other device that will help you pitch the opportunity to class in 60 seconds. You will have exactly 60 seconds and at the end of 60 seconds, you will be forced to stop.
2. At the end of class today, we will stick all one-page opportunity slides on the walls, and ask the class to vote on their favorite opportunities. The 30 opportunity-entrepreneurs that receive the most votes will be selected for further development.
3. If you are one of these 30 entrepreneurs, you are *\*required\** to partner with another student registered for this section of the class. If you absolutely must partner with someone in another section, one of you will need to *\*swap\** sections with a corresponding person in another section.
4. If your idea did not make it, you need to partner with someone whose idea makes it to the next round.
5. The working unit from now on is the team and not the idea, thus you and your team-mate are free to pursue any idea whatsoever for the next stage. It will be the same after every elimination round.





# 6. BUSINESS MODEL CANVAS: TEAM FORMATION AND PEER REVIEW



Download BM Canvas [PDF](#), [PPTX](#)

## 1. ADDING MEAT TO THE IDEA

Along with your partner develop your idea further by dreaming up a full business. Use the canvas to articulate your dreamed up business!

## 2. STUFF TO HAND IN:

For your concept company, carefully analyze its business model and map it out with your team. Submit Canvas in PPT format.

# 7: VENTURE RISK MANAGEMENT

## FUN READING:

1. Vanity Fair article on Segway. [14-segway-vanityfair.pdf](#)
2. [“Why the Lean Startup Changes Everything”](#), Steve Blank, May 2013, Harvard Business Review. Available only in course-pack for copyright reasons

## PLANNING FOR SUCCESS: TASK PRIORITIZATION

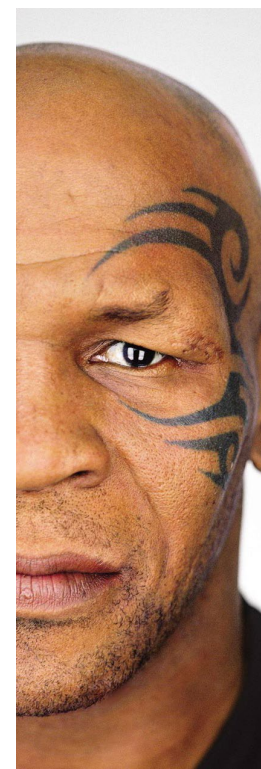
We will learn a technique for prioritizing tasks in a new venture so as to minimize risks.

## COVERING YOUR BACK SIDE: RISK REDUCTION

We will learn techniques to limit the risk exposure of our new ventures

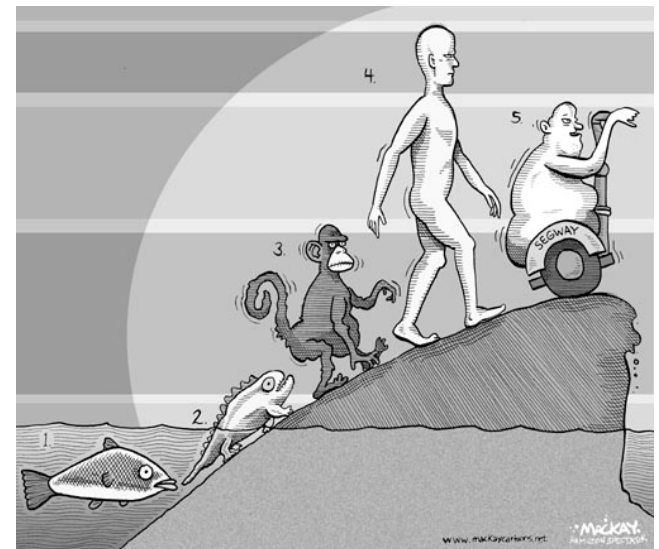
## PEER REVIEW

Identify one other team to partner with for next stage. Use 30 minutes to walk the team through your dreamed up business model. Ask the peer-reviewers to challenge your proposed business model, and each member to identify the top 3 most questionable assumption in your business model. Note elements that generate the most discussion. Based on the group’s feedback modify your business model.



*Everybody has a plan until they are punched in the face.*

Mike Tyson



# 8. ACTION PLAN WORKSHOP: CONCEPT PITCHES

## PROJECT WORK

- 1. Business Model Canvas:** Add meat to your business opportunity by developing the associated business model.
- 2. Task Prioritization:** Identify the key tasks that you should prioritize
- 3. Risk Reduction:** Develop a risk reduction strategy for your new venture.



Prepare a 120 second presentation that captures the salient elements of the above exercises. Do not attempt to present all of what you have done, only the most salient elements are needed. The group will be asked to give feedback on your risks identified, tasks prioritized and the risk reduction strategy developed. For most useful feedback, do provide some details of these three elements



### STUFF TO HAND IN:

**Email any Powerpoint slides you wish to use in class for your presentation (.ppt/.pptx/.pdf format only).** Please make sure to include your Section name, your names and your team names in the subject of your email and on the slides

Please make sure that any weblinks, files, etc. that you may need for your presentation are easily accessible within seconds on the Amphi computers.

Note that after the prototype presentations, each of you will be able to provide comments to other teams in the session.

# 9. ROLLING OUT TESTING AND EXPERIMENTATION

## FUN READING:

1. Better Place: the Electric Vehicle Renaissance. INSEAD case study.
2. [The surprising power of online experiments](#). HBR article.



## 1. TEAM FORMATION

Based on the results of voting for concept pitches, form teams of 3-4 people.

## 2. STUFF TO HAND IN:

For Better Place case, come up with 3 top testable hypotheses. Articulate why these are the hypotheses that must be tested. For each hypothesis, come up with detailed description of an experiment: place, length, resources involved, KPIs, cost to run and expected precision.



# 10. ORGANIZING FOR THE INNOVATION JOURNEY

## FUN READING:

1. [Unit Economics: A “Must Have” at All Stages of a Startup.](#)
2. [Doing things that don’t scale.](#)
3. [Legal and accounting basics for startups.](#)



## STUFF TO HAND IN:

Together with your team, develop appropriate financials for your startup: unit economics analysis, CAC, CLTV, burn rate projection etc. The exact deliverable will greatly depend on the nature of your venture. Submit your analysis.

# 11. SEEKING FUNDING: ANGELS, VCS AND SUCH

## REQUIRED READING:

1. [Funding for startups.](#)
2. [YC Seed Deck Template](#)
3. [How to raise money](#) by Paul Graham
4. [LinkedIn pitch to Greylock](#)

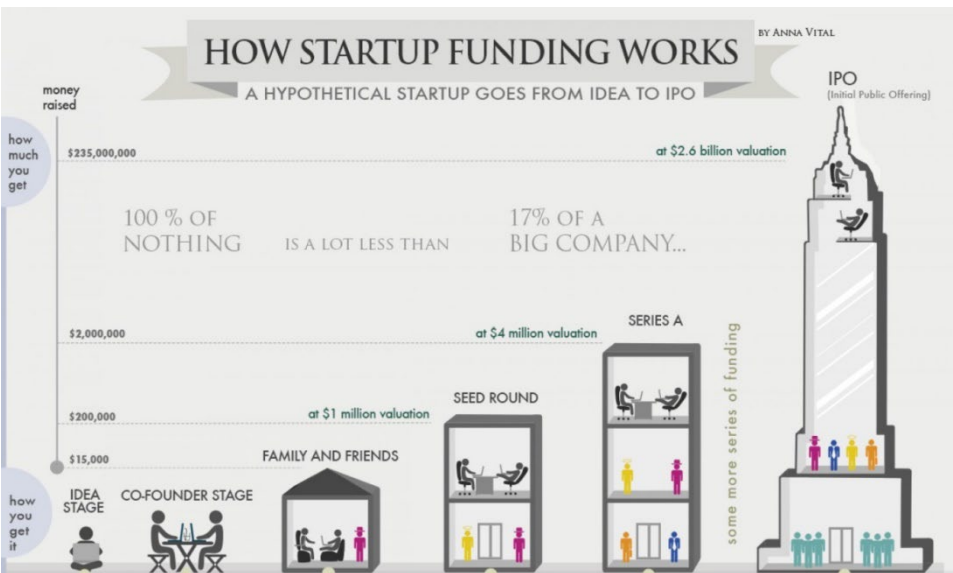


## STUFF TO HAND IN:

Email any Powerpoint slides you wish to use in class for your presentation (**.ppt/.pptx/.pdf format only**). Please make sure to include your Section name, your names and your team names in the subject of your email and on the slides

Please make sure that any weblinks, files, etc. that you may need for your presentation are easily accessible within seconds on the Amphi computers.

Note that after the investor pitch presentations, each of you will be able to make “investment” decision using simulated capital.



# 12. INVESTOR PITCHES



## FUN READING:

1. [How to pitch your company.](#)
2. [Talking to investor](#)
3. [How to present to investors](#)

## CLASS LOGISTICS:

1. Please bring a timer or any other device that will help you pitch the opportunity to class in 240 seconds. You will have exactly 240 seconds and at the end of 240 seconds, you will be forced to stop.
2. Treat this presentation as an investment pitch: the goal of this presentation (as opposed to other pitches in this course) is to raise money from your classmates. Your presentation should include proposed money usage, highlight your team's capabilities and explain value proposition/business model.
3. At the end of class today, we will use simulated investments market: each person will be given \$10,000 that you will be able to invest any way you like. After the class, you will find out which investment pitches collected the most capital.

