

ENTREPRENEURIAL STRATEGY
15.911-- MIT SLOAN SCHOOL OF MANAGEMENT
Spring 2023 (H4)

MWF 1:00 – 2:30 PM (Section 01), 2:30 – 4:00 PM (Section 02)
E51-335

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E62-470

Office Hours: After Class
 By Appt. (contact jgrobey@mit.edu)

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This course focuses on strategy for start-ups. The course provides a deep understanding of the core strategic choices facing innovation-based entrepreneurs, a synthetic framework for the process of choosing and the implementation of entrepreneurial strategy, and the core challenges and approaches for scaling ventures over time. A central theme of the course is that, to achieve competitive advantage, start-up founders must balance the process of experimentation and learning inherent to entrepreneurship with the choice and implementation of an entrepreneurial strategy. The course highlights the process of how to choose an entrepreneurial strategy, the specific choices that matter, how key choices fit together to form an overall entrepreneurial strategy, and the playbook for particular entrepreneurial strategies.

The course combines interactive lectures, case analyses, and direct engagement with start-ups. The course draws on a rapidly emerging body of research in entrepreneurial strategy that moves beyond the “one size fits all” approach to start-ups and instead focuses on the key choices that founders face as they start and scale their business. The cases and assignments offer an opportunity to integrate and apply the entrepreneurial strategy framework in a practical way, and draws from a diverse range of industries and settings.

CLASS BACKGROUND AND PREPARATION

The course assumes knowledge of the Sloan MBA core courses. If you have not taken the MBA core (or an equivalent), reach out to me or the TAs prior to Class 2. As well, though not a formal requirement, the course is highly complementary to New Enterprises (15.390), and will make reference to the materials and experiences of that course, as well as Competitive Strategy (15.900). The class may be particularly appropriate for those seeking to:

- (a) Found a growth-oriented start-up
- (b) Join a start-up company with influence on strategy development or implementation
- (c) Fund start-ups as an investment professional
- (d) Consult start-ups or innovation-driven firms in fast-moving environments

You should be prepared for every class. The class is highly interactive. For readings, consider how core choices facing entrepreneurs might be made in light of the framework in the reading, and how you might utilize key insights in practice. For cases, identify the key choices facing the protagonists, evaluate alternative approaches to these problems (including what additional information you might need to gather to make a clear decision), and think about the course of action you would recommend and why. Group work (and study groups) are critical; effective group cooperation is crucial to a valuable class experience.

Canvas will be used extensively as a course website. The site is a critical complement to the lectures. Canvas includes non-case-packet readings, links to points of interest (e.g., company websites), and supplementary reading materials, reading guides, and lecture slides. Canvas includes key course information such as the syllabus, assignments, due dates, and updates. **Material on Canvas for a week will be assumed to have been reviewed and downloaded.**

TEXTBOOK & CASES

In addition to a small number of readings through Study.Net, we will be drawing on individual chapters from the draft copy of *Entrepreneurship: A Strategic Approach* (Gans, Scott and Stern, abbreviated as EntStrat2023) throughout the course, as well as cases developed specifically for this course. Both the draft EntStrat2023 textbook and cases will be posted on Canvas.

CLASS REQUIREMENTS, GRADING, AND DUE DATES

- **Active Class & Group Participation (25%).** Participation consists of two distinct components:
 - **Class Environment (20%).** For each class, each student is expected to prepare readings and case studies, listen closely to class discussion, and share their ideas. Class will begin and end on time. Repeated lateness will count against the class participation grade. Though absence is discouraged, please inform the TAs in advance of any that arise.
 - **360 Group Evaluation (5%).** Each group member will be evaluated by all group members at the end of the quarter. Evidence that group work has been unevenly completed will count against the class participation grade.
- **Group Homeworks (40%).** Each student will be part of a homework group composed of 4-5 individuals (groups will be formed during Week 1). Each group will complete four group homework assignments as follows:
 - **Lytro Memo (10%).** Case materials and assignment are on Canvas.
 - **Two Group Memos (10% each).** Six optional group homework opportunities are available during the class, of which *each group must complete two*. Memos are due by 11:59 PM the day before the case is discussed in class. See Canvas for Group Homework instructions.
 - **Entrepreneurial Strategy Consulting Assignment (10%).** Each group will work with an early-stage student-led start-up in the MIT ecosystem (e.g., teams engaging with DeltaV, VMS, Sandbox, etc). Each 15.911 team will (remotely) meet with their start-up, develop an analysis building on the course framework, and provide recommendations to the venture
- **“Final” Individual Memo (35%).** A **“final” individual Homework assignment.** This case analysis requires you to develop an overall strategy recommendation for an innovation-driven start-up company. The goal of this final assignment is to develop your ability to offer an integrated analysis and implementation plan for entrepreneurial strategy.

COURSE OVERVIEW				
Class	Date	Class Topic	Main Readings	Homework
<i>Introduction</i>				
1	April 3	Foundations of Entrepreneurial Strategy	EntStrat2023, Chapters 1 and 4 (skim)	
<i>These Choices Matter</i>				
2	April 5	Choosing Your Customer	EntStrat2023, Chapter 5	
3	April 7	Choosing Your Customer: Lytro	Lytro – Choices in 2013	REQUIRED Group HW (Lytro)
4	April 10	Choosing Your Technology	EntStrat2023, Chapter 6	
5	April 12	Choosing Your Organization	Clover Food Labs EntStrat2023, Chapter 7	Optional Group HW (Clover Food Labs)
<i>Choosing Entrepreneurial Strategy</i>				
6	April 14	Choosing Your Entrepreneurial Strategy	GSS, HBR, Strategy for Start-Ups EntStrat2023, Chapter 8	
7	April 19	Testing Entrepreneurial Strategy	Taxie; EntStrat2023, Chapters 4 and 13	Optional Group HW (Taxie)
8	Apr 21	Putting Entrepreneurial Strategy to the Test	Avatech	Optional Group HW (Avatech)
<i>Intellectual Property Strategy</i>				
9	Apr 24	Intellectual Property Strategy	EntStrat2023, Chapter 9	
10	Apr 26	Putting IP Strategy to Work	Bionym (In-Class Negotiation Exercise)	
<i>Disruptive Strategy</i>				
11	Apr 28	Disruption Strategy	EntStrat2023, Chapter 10	
12	May 1	Putting Disruption Strategy to Work	Ministry of Supply	Optional Group HW (Ministry of Supply)
<i>Value Chain Strategy</i>				
13	May 3	Value Chain Strategy	EntStrat2023, Chapter 11	
14	May 5	Putting Value Chain Strategy to Work	iWarranty	Optional Group HW (iWarranty)
<i>Architectural Strategy</i>				
15	May 8	Architectural Strategy	Gawer and Cusumano; EntStrat2023, Chapter 12	
16	May 10	Putting Architectural Strategy to Work	Jane Technologies	Optional Group HW (Jane Technologies)
<i>Test Two, Choose One: Putting Entrepreneurial Strategy to Work</i>				
17	May 12	Putting it All Together: Choosing and Scaling Entrepreneurial Strategy	Quartz, Test Two, Choose One	REQUIRED E-Strat Consulting Assignment
18	May 15	Final Case Debrief	Rapid SOS	REQUIRED Final Individual Case (RapidSOS) REQUIRED 360 eval

15.911: ENTREPRENEURIAL STRATEGY

Professor Erin L Scott

Spring 2023

Starred () readings are required.*

I. COURSE OVERVIEW

CLASS 1. Foundations of Entrepreneurial Strategy

April 3

* EntStrat2023, Chapters 1 and 4 (skim).

What is the role of strategy in a new enterprise? What are the key strategic choices facing start-ups? Are entrepreneurs better off just improvising?

II. THESE CHOICES MATTER

CLASS 2. Choosing Your Customer

April 5

* EntStrat2023, Chapter 5.

Start-ups must choose between different customer segments when choosing to bring their product to market, as the value proposition received by one segment can be at odds with another. How should entrepreneurs choose their customers? Tailor the value proposition to their chosen customer? What factors do you think most important in customer segment choice?

CLASS 3. Customer Choice in Action: Lytro

April 7

Required Group Homework Due. See Canvas for Assignment and Case Questions.

* CASE: Lytro – Choices in 2013, mimeo, MIT Sloan School.

Why has there been such a disconnect between the initial reception of Lytro in the “tech” community and the broader population? What potential customer segments would you choose going forward? What recommendations would you have for Jason Rosenthal?

CLASS 4. Choosing Your Technology

April 10

* EntStrat2023, Chapter 6.

Start-ups must choose between different technologies when choosing how to create value for consumers, but the evolution of innovation is still uncertain when commitments are made. How should entrepreneurs choose among alternative technological innovations? How can entrepreneurs forecast innovation, and how do their choices impact the evolution of technology? How does innovation choice impact customer choice and overall entrepreneurial strategy?

CLASS 5. Choosing Your Organization

April 12

Optional Group Case Memo Due. See Canvas for Memo Assignment Details.

* CASE: Clover Food Labs, MIT Sloan School.

* EntStrat2023, Chapters 7.

Effective entrepreneurial strategy depends on choosing an organization that allows founders to realize their vision by accessing and acquiring resources and capabilities that allow them to deliver value for customers. However, the very process of building that organization is constrained by the *lack* of resources and capabilities that founders control at the moment of founding. Overcoming this challenge requires choosing (and implementing) how and when to grow in a way that allows the founders to realize their vision for that organization.

What are the key choices that Ayr Muir have made to establish Clove as an organization? What resources and capabilities did Ayr lack at the moment of founding, and how did he overcome that constraint? What challenges did Clover face in turning the “idea” into an organizational reality? As they consider expansion, what element of the organization should they retain and where might they consider experimentation and adaptation?

III. CHOOSING AN ENTREPRENEURIAL STRATEGY

CLASS 6. Choosing an Entrepreneurial Strategy

April 14

* Gans, J., Scott, E., and S. Stern (2018). *Strategy for Start-Ups*, HBR.

Alternative Reading: EntStrat2023, Chapters 8.

A central challenge for start-ups is choosing and implementing an effective entrepreneurial strategy. While some firms choose to develop the entire value proposition and disrupt established firms in the product market, other firms choose strategic approaches that involve significant cooperation with established firms, from simple licensing deals, to collaborative partnerships, to the development of technology platforms. This session will focus on the central strategic trade-offs entrepreneurs face in choosing an entrepreneurial strategy, and how the process of choosing and executing an entrepreneurial strategy helps entrepreneurs establish and sustain competitive advantage.

CLASS 7. Testing Entrepreneurial Strategy**April 19**

Optional Group Case Memo Due. See Canvas for Memo Assignment Details.

* CASE: Taxie, MIT Sloan School.

* EntSrat2023, Chapters 4 and 13.

What are the main challenges and benefits of taking an “experimental” approach to entrepreneurship? For what types of ventures and choices can you implement real-world experiments? What factors should you consider in designing and implementing entrepreneurial experiments? How does experimentation impact the evolution of entrepreneurial strategy? Now consider the early days of Taxie. What are the core lessons that Castillo, Khare, and their team have learned so far? How can they apply those lessons to their choice about how to move forward?

CLASS 8. Putting Entrepreneurial Strategy to the Test**April 21**

Optional Group Case Memo Due. See Canvas for Memo Assignment Details.

* CASE: Avatech, mimeo, MIT Sloan School.

Brint Markle is considering four alternative models for Avatech going forward. What are the strengths and weaknesses of each alternative? Which approach would you recommend going forward?

IV. EXPLORING THE ENTREPRENEURIAL STRATEGY COMPASS

CLASS 9. Intellectual Property Strategy

April 24

* EntStrat2023, Chapter 9.

This session focuses on the central elements and challenges of an intellectual property strategy – where a start-up invests upfront in control over their idea and orients themselves towards collaboration with industry partners. The success of an intellectual property strategy depends on the ability of the start-up to deliver compelling value to existing consumers of established firms while maintaining enough control over their idea to ensure their ability to capture value over time. This often depends on establishing control over formal intellectual property rights such as patents. What do you think are the key choices that allow an intellectual property strategy to succeed? How would you know whether a patent offered you the ability to “control” your technology?

CLASS 10. Putting Intellectual Property Strategy to Work

April 26

* Case: Bionym, mimeo, MIT Sloan School.

This session will focus on a negotiation exercise between a start-up medical device company, Bionym, and a potential licensing partner. As you prepare for this negotiation (details will be provided in class), consider the following questions: Why has Bionym had so much difficulty in translating interest to a deal in the Bionym technology? Why is their advisory board skeptical? What might be their next steps?

CLASS 11. Disruption Strategy**April 28**

* EntStrat2023, Chapter 10.

Optional Reading: Christensen, C. (1997) “How can great firms fail? Insights from the hard disk industry,” *The Innovator’s Dilemma*, Harvard Business School Press. Chap. 1.

Optional Reading: Gans, J. (2016). “Keep Calm and Manage Disruption,” *Sloan Management Review*, 57(3), pp. 83-90.

This class focuses on choosing a disruptive strategy – start-up investing intensively on executing their idea through hustle and “get-ahead stay-ahead” competition. Disruptive start-ups offer a novel value proposition to new types of customers (often those that were previously “unserved”) and use their ability to quickly leverage and iterate new technology to overturn traditional entry barriers. But, disruptive entrepreneurs must ensure that they are able to scale their venture more quickly than established firms can respond (and more quickly than a follow-on start-up can disrupt them!). What do you think are the key choices that allow a disruptive strategy to succeed?

CLASS 12. Putting Disruption Strategy to Work**May 1**

Optional Group Case Memo Due. See Canvas for Memo Assignment Details.

* Case: Ministry of Supply, *mimeo*, MIT Sloan School.

This case examines Ministry of Supply (MoS), the innovative fashion MIT spin-off launched in 2012. As you read the case consider the following questions: What have been some of the key reasons that MoS has been able to establish itself so quickly in the men’s professional fashion space? What key choices have they made that allowed them to attract customers while avoiding a direct competitive response (at least so far) from more established players in this space? Given their strategy and approach so far, what are the benefits and costs of a brick-and-mortar channel?

CLASS 13. Value Chain Strategy**May 3**

* EntStrat2023, Chapter 11.

This class focuses on choosing a value chain strategy – start-up investing on working with and through established players to provide value-added services to existing customers. Value chain start-ups depend on their ability to develop unique competencies and build unrivaled teams that allow them to maintain their ability to capture value even after their proprietary control over technology and their idea erodes. How can value chain start-ups avoid being overwhelmed by larger and more established players in global supply chains? What do you think are the key choices that allow a value chain strategy to succeed?

CLASS 14. Putting a Value Chain Strategy to Work**May 5**

Optional Group Case Memo Due. See Canvas for Memo Assignment Details.

* Case: iWarranty, mimeo, MIT Sloan School.

What are the key early choices that have allowed iWarranty to begin to gain traction in the complex world of consumer warranty management? What role has the “team” played in their approach? As they consider their choices going forward, should they focus their scarce time and resources on further technology development, on-boarding consumer traffic, or discrete partnerships (or some combination of these)?

CLASS 15. Architectural Strategy**May 8**

* EntStrat2023, Chapter 12.

Optional Reading: Gawer, A., and M. Cusumano (2008). “How Companies Become Platform Leaders,” *Sloan Management Review*, Reprint SMR268-ENG-PDF.

The final entrepreneurial strategy we will consider is an architectural strategy – where firms choose to compete with established players and also invest in maintaining control over their idea. Though this strategy is consistent with traditional competitive strategy ideas (e.g., McDonald’s!), this strategy is has become particularly relevant in the context of designing and establishing a platform. What are the core drivers of value creation and capture in a platform approach to architectural strategy?

CLASS 16. Putting Architectural Strategy to Work**May 10**

Optional Group Case Memo Due. See Canvas for Memo Assignment Details.

* Case: Jane Technologies, mimeo, MIT Sloan School.

As Socrates Rosenfeld and his team build out their platform for an online cannabis marketplace, they face fundamental choices about how to design the platform, and also which side of the platform to focus on first to first core and then tip the platform. How are you going to core this platform? How are you going to attract different “sides” to the platform? Who is going to pay, and how does choosing the customer impact the evolution of the platform itself?

V. PUTTING ENTREPRENEURIAL STRATEGY TO WORK

CLASS 17. Test Two Choose One: Choosing and Scaling Entrepreneurial Strategy

May 12

Required E-Strat Consulting Assignment Due!

* EntStrat2023, Chapter 15.

* Scott, E., and S. Stern (2021) “The best startup ideas have multiple paths to success -- Quartz at Work,” <https://qz.com/work/2041928/the-best-startup-ideas-have-multiple-paths-to-success/>

The central challenge facing an entrepreneur is how to choose. This session focuses not on the elements of distinct entrepreneurial strategies but how to choose among entrepreneurial strategies. What are the key actions an entrepreneur can make to identify a promising opportunity? How can they identify alternatives? What are the key choices founders have to make in order to implement and then scale their venture?

CLASS 18. Final Case Debrief and Wrap-Up

May 15

Required Individual Case AND 360 Evaluation Due!

* Case: RapidSOS, mimeo, MIT Sloan School.

Beyond your written assignment, what choices of this start-up do you think have contributed to their ability to scale so far? What challenges do they face? What recommendations and questions do you have going forward?

Congratulations, graduates!