



ENTREPRENEURIAL STRATEGY
15.911-- MIT SLOAN SCHOOL OF MANAGEMENT
SPRING 2017 (H2)

MWF 1:00 – 2:30 PM (A)
MWF 2:30 – 4:00 PM (B)

**PRELIMINARY
SUBJECT TO CHANGE**

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Teaching Assistants: TBD

This course provides an integrated strategy framework for innovation-based entrepreneurs. The course is structured to provide a deep understanding of the core strategic choices facing start-up innovators, a synthetic framework for the development and implementation of entrepreneurial strategy in dynamic environments, and the ability to scale those ventures over time. A central theme of the course is that, to achieve competitive advantage, technology entrepreneurs must balance the process of experimentation and learning inherent to entrepreneurship with the selection and implementation of a strategy that establishes competitive advantage. The course identifies the key choices entrepreneurs make to take advantage of a novel opportunity and the logic of particular strategic commitments and positions that allow entrepreneurs to establish competitive advantage.

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 draw 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), please 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 is designed to be particularly appropriate for those seeking to:

- (a) Become a growth entrepreneur
- (b) Work in a start-up company with influence on strategy development or implementation
- (c) Have a career as an investment professional who has to evaluate start-up innovators
- (d) Practice as a management consultant whose practice focuses on innovation-driven firms or industry segments

You should be prepared for every class. The class is highly interactive. For readings, consider the choices the entrepreneurs must make that can be informed by the argument or evidence in the article, 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.

Stellar will be used extensively as a course website. The site is a critical complement to the lectures. Stellar includes non-case-packet readings, links to points of interest (e.g., company websites), and supplementary reading materials and reading guides. I will also post the slides within 48 hours after each class. Stellar includes key course information such as the syllabus, assignments, due dates, and updates. **Material on Stellar for a week will be assumed to have been reviewed and downloaded.**

CLASS REQUIREMENTS, GRADING, AND DUE DATES

- **Active Class & Group Participation (25%).** Participation consists of 4 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 (10%), due Friday, April 7.** Case materials and assignments are available on Stellar. Also, a Lytro camera will be made available for 45-minute check-out periods for interested groups.
 - **Two Group Homeworks (10% each).** Seven optional group homework opportunities are available during the class, of which *each group must complete two*. See Stellar for Group Homework instructions.
 - **Entrepreneurial Strategy Consulting Assignment (10%), due Thursday, May 17.** Each group will be assigned to a 100K team or an early-stage student-led start-up in the MIT ecosystem. Each 15.911 team will meet with their 100K (or equivalent) team, develop an analysis building on the course framework, and provide recommendations to the venture
- **“Final” Homework (35%).** A “final” individual homework assignment is due **Tuesday, May 10**. This case analysis will require 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. *The debrief of this case is scheduled for Wednesday, May 17.*
- We will be drawing on individual chapters from the draft copy of *Entrepreneurial Strategy* (Gans and Stern, abbreviated as GS) throughout the course. The most recent version of each chapter will be posted at least one week in advance of the class on Stellar.

COURSE OVERVIEW			
Date	Class Topic	Main Readings	Homework
<i>Introduction</i>			
Apr 3	Entrepreneurs Need Strategy	Entrepreneurs Need Strategy, Gans and Stern (GS), Chapter 1	
<i>The Choices Shaping Entrepreneurial Strategy</i>			
Apr 5	Choosing Your Customer	Choosing Your Customer, GS Chapter 2	
Apr 7	Choosing Your Customer: Lytro	Lytro	REQUIRED Group HW (Lytro).
Apr 10	Choosing Your Technology	Choosing Your Technology, GS Chapter 3; Koeppel, The Future of Light is the LED	
Apr 12	Choosing Your Identity	Choosing Your Identity, GS, Chapter 4; Clover Labs	Optional Group HW (Clover Labs)
Apr 14	Choosing Your Entrepreneurial Strategy	Choosing You Entrepreneurial Strategy, GS, Chapter 6	
Apr 17	<i>No Class – Patriots Day</i>		
Apr 19	Putting Entrepreneurial Strategy to the Test	Avatech	Optional Group HW (Avatech)
<i>Intellectual Property Strategy</i>			
Apr 21	Intellectual Property Strategy	Intellectual Property Strategy, GS, Chapter 7; Getty Images	Optional Group HW (Getty Images)
Apr 24	Putting IP Strategy to Work	Bionym (In-Class Negotiation Exercise)	
<i>Disruptive Strategy</i>			
Apr 26	Disruptive Strategy	Disruptive Strategy, GS, Chapter 8	
Apr 28	Putting Disruptive Strategy to the Test	Netflix	Optional Group HW (Netflix)
May 1	Putting Disruptive Strategy to Work	Ministry of Supply	Optional Group HW (Ministry of Supply)
<i>Value Chain Strategy</i>			
May 3	Value Chain Strategy	Value Chain Strategy, GS, Chapter 9	
May 5	Putting Value Chain Strategy to Work	Madaket Health	Optional Group HW (Madaket)
<i>Architectural Strategy</i>			
May 8	Architectural Strategy: Coring a Platform	Architectural Strategy, GS, Chapter 10; Gawer and Cusumano	
May 10	Putting Architectural Strategy to Work		Optional Group HW (Platform Design)
<i>Test Two, Choose One: Putting Entrepreneurial Strategy to Work</i>			
May 12	Strategic Learning and Experimentation	Eisenmann, Ries and Dillard	REQUIRED 100K Consulting Memo Due (Thursday, May 5)
May 15	100K Entrepreneurial Strategy Consulting Debrief + Wrap-Up		
May 17	Final Case Debrief		REQUIRED Final Individual Case Due (Tuesday May 10)

15.911: ENTREPRENEURIAL STRATEGY

Lecturer: Jorge Guzman

Spring 2017

Starred () readings are required.*

I. COURSE OVERVIEW

CLASS 1. Foundations of Entrepreneurial Strategy

April 3

* Gans, J., S. Stern, and J. Wu (2016). “Foundations of Entrepreneurial Strategy”. SSRN Working Paper #2844843

What is the “paradox of entrepreneurship”? How does entrepreneurial strategy use partial commitment to resolve this paradox? What are the three core principles of entrepreneurial strategy? How is entrepreneurial strategy different from execution or systematic planning?

II. CHOOSING HOW TO CREATE AND CAPTURE VALUE

CLASS 2. Choosing Your Customer

April 5

* Gans, J, Stern, S. and Wu, J. (2016). “Choosing Your Customer,” *Entrepreneurial Strategy*, Chapter 3.

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 tailor their value propositions to attract different customers? How should entrepreneurs choose which customer segments to target?

CLASS 3. Customer Choice in Action: Lytro

April 7

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

* CASE: LYTRO, 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

* Gans, J. and S. Stern (2016). “Choosing Your Technology,” *Entrepreneurial Strategy*, Chapter 4.

* Koeppel, D. (2011). “The Future of Light is the LED,” *Wired*.

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

CLASS 5. Choosing Your Identity

April 12

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

* Gans, J. and S. Stern (2016). “Choosing Your Entrepreneurial Identity,” *Entrepreneurial Strategy*, Chapter 5.

* CASE: Clover Labs, mimeo, MIT Sloan School.

Effective entrepreneurial strategy depends on choosing an entrepreneurial identity that allows you to develop your internal capabilities, choose your external commitments, and leverage your innovation ecosystem to accelerate the process of commercialization and diffusion. What are the unique and distinctive choices that the founders have made? What are the key capabilities and commitments that allows that start-up to create and capture value? How can the entrepreneurial ecosystem be leveraged to reinforce the capabilities and value proposition of your company?

What are the key choices that Ayr Muir and the team at Clover have made to establish their entrepreneurial identity? As they expand to Washington, DC, which elements of their approach should they retain and around which elements should they be willing to experiment?

III. CHOOSING AN ENTREPRENEURIAL STRATEGY

CLASS 6. Choosing an Entrepreneurial Strategy

April 14

* Gans, J., and S. Stern (2016). "Choosing Your Entrepreneurial Strategy"
Entrepreneurial Strategy, Chapter 6.

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 core 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. Putting Entrepreneurial Strategy to the Test

April 19

Optional Group Case Memo Due. See Stellar 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?

CLASS 8. Intellectual Property Strategy**April 21**

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

* Gans, J., and S. Stern (2015), Intellectual Property Strategy” *Entrepreneurial Strategy*, Chapter 7.

* Case: Getty Images, HBS Case 713515-PDF-ENG.

The first half of 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. What do you think are the key choices that allow an intellectual property strategy to succeed?

Getty Images is putting intellectual property strategy to the test. In what ways has Getty Images been able to maintain control over their images, and where have they have faced challenges in enforcing their intellectual property? Would you recommend that they move towards a more “open” approach to distributing images over the Internet? Why or why not? For which types of images and formats?

CLASS 9. Putting Intellectual Property Strategy to Work**April 24**

* 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 10. Disruptive Strategy**April 26**

* Christensen, C. (1997) “How can great firms fail? Insights from the hard disk industry,” *The Innovator’s Dilemma*, Harvard Business School Press. **Chapter 1 (pp. 3-28)**.

*Gans, J., and S. Stern (2016), “Disruptive Strategy” *Entrepreneurial Strategy*, Ch 8.

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 11. Putting Disruptive Strategy to the Test**April 28**

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

* Case: Netflix, HBS Case 607138-PDF-ENG.

Netflix is often cited as an exemplar of a successful “disruptive” start-up. What choices did they make in their early years that allowed them to achieve their success? How did they develop and implement their strategy? Did they learn over time (and how)? If you were to take one lesson from Netflix away for a start-up today, what would it be?

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

Optional Group Case Memo Due. See Stellar for 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**

* Gans, J., and S. Stern (2015), “Value Chain Strategy” *Entrepreneurial Strategy*, Chapter 9.

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 Stellar for Memo Assignment Details.

* Case: Madaket Health, mimeo, MIT Sloan School.

What are the key early choices that have allowed Madaket to begin to gain traction in the complex world of healthcare IT? What role has “team” played in their approach? As they consider their choices going forward, should they focus on ensuring the successful roll-out of their solution with Pioneer, or should they divert resources to serving new customers (and who)?

CLASS 15. Architectural Strategy**May 8**

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

* Gans, J., and S. Stern (2015), “Architectural Strategy” *Entrepreneurial Strategy*, Chapter 10.

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? What key customer, technology and positioning choices allow a start-up to effectively “core” and “tip” a new platform?

CLASS 16. Putting Architectural Strategy to Work

May 10

Optional Group Memo Due. See Stellar for Memo Assignment Details.

Hagiu, A., and T. Eisenmann (2007). "Staged Solutions to the Catch-22" *Harvard Business Review*, HBS Reprint F0711B-PDF-ENG

This session will focus on an in-class exercise in which your team will focus on designing a multi-sided platform as part of an architectural strategy. As you prepare for this exercise (details will be provided in class), consider the following questions: How are you going to core your platform? How are you going to attract different "sides" to your platform? Who is going to pay, and how does choosing the customer impact the evolution of the platform itself?

IV. PUTTING ENTREPRENEURIAL STRATEGY TO WORK

CLASS 17. Strategic Learning and Experimentation

May 12

*Required 100K Consulting Memo Due (Thursday, May 5)
See Stellar for 100K Consulting Assignment Details.*

* Eisenman, T., Ries, E., and S. Dillard. "Hypothesis-Driven Entrepreneurship: The Lean Start-Up," HBS Note 9-812-095.

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? How does experimentation impact the evolution of entrepreneurial strategy?

**CLASS 18. 100K Entrepreneurial Strategy Consulting Debrief
Putting it All Together: Scaling your Entrepreneurial Strategy**

May 15

This class will feature a selection of 100K teams that have participated in the Entrepreneurial Strategy Consulting Project as well as their respective 15.911 HW group. What do you believe are the key choices facing the 100K team that you worked with?

Required Individual Case Due!
See Stellar for Final Individual Case Assignment Details.

This class will feature a debrief with the founding team for the Final Case Assignment (details will be distributed in class). 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?

Have a great summer!!

Congratulations Class of 2017!!