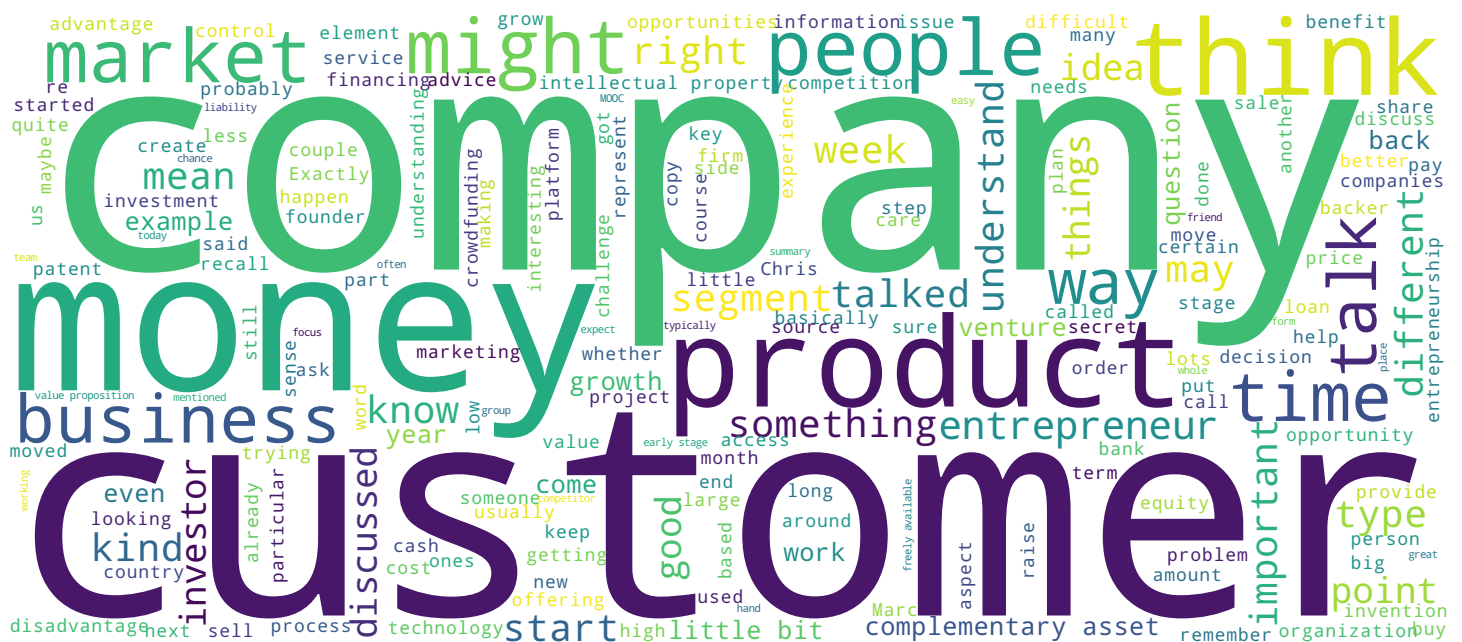


Value Capture in a Nutshell

Launching New Ventures: Entrepreneurship & Strategy for Technology-Driven Startups

Prof. Chris Tucci and Prof. Marc Gruber



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Video





Welcome back to the MOOC studio. We're going to go over the summary of week five. "Profiting From Your Innovation Now." As you recall this past week, we've talked about protecting your idea. Furthermore, we talked about how do you make money relative to some of your ecosystem partners. Then we discussed legal aspects, And then finally, we talked a lot about scalability and growth. So let's get right to it and go through some of the key highlights of this past week.

Notes

Summary



0m 04s

Summary of different main types of IP

	ADVANTAGES	DISADVANTAGES
Trade Secrets - Various ideas	<ul style="list-style-type: none"> • Lack of disclosure can lead to competitive advantage • Term is unlimited 	<ul style="list-style-type: none"> • Inadvertent leaks means your secret is out! • Competitors can reverse engineer • Someone else may patent
Trademarks - Company representation	<ul style="list-style-type: none"> • Reduces possibility of competitor posing as you 	<ul style="list-style-type: none"> • Passes into public domain if generic
Patents - A tangible item or process	<ul style="list-style-type: none"> • Exclusivity for long period • More or less recognized everywhere (if accepted) 	<ul style="list-style-type: none"> • Full disclosure leads to knowledge spillovers • Costs, especially enforcement • Need to dedicate many resources
Copyrights - Creative output	<ul style="list-style-type: none"> • Low cost • No formal registration necessary 	<ul style="list-style-type: none"> • Ideas are not protected! • Can't stop modification (or parody) • Costs for enforcement

Source: Arshia Tabrizi, Tabrizi Law Office P.C.

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Alright, so we began the week with a discussion about intellectual property and protecting your ideas. We discussed the distinction between intellectual property and real property. We talked a little about the motivation: Why do nations try and promote intellectual property and what are some of the advantages and disadvantages of it? And then we walked through the four main types of intellectual property that you will probably need to deal with in the early stages of your company's development. So, we started with trade secrets, which is the most common form, which is basically just keeping something secret and telling everyone that it's a secret. Then we talked about trademarks, which is a symbol that represents your company and how they work. And then we moved on to patents which represent some kind of, typically, tangible item but could also represent a process, or even in some cases a method. And what are some of the advantages and disadvantages of holding a patent? And then finally, we discussed briefly, copyrights which refer to creative output and we discussed how those work, and what are some of the advantages and disadvantages of those. So, think of these, remember that these are one piece in your arsenal of making money. Because, as you recall, the first step is to prevent others from copying you.

Notes

Summary



0m 41s

Complementary assets

Everything required to commercialize a technological innovation besides the technology itself.

e.g. Sales force, manufacturing, marketing/merchandizing...

Note: complementary assets are not the same as complementary goods. Sales of complementary goods stimulate sales of the **original product or service** and vice versa.

- When do we care about complementary assets?
- How do we decide whether we should care about a particular complementary asset?

Adapted from: Teece (1986); Henderson (1993)

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We then moved on in the second segment to talk about complementary assets. Which is everything required to commercialize a technological innovation besides technology itself. So we discussed some examples of it, and we also developed a little framework about whether we should care about complementary assets. Or which ones we should care about and whether it's going to prevent us from making money or enable us to make money, and we ended up with this framework here.

Notes

Summary



2m 20s



Where, if we have here on the left-hand side, we have imitability, which is referring to the ability of some competitor--or anybody-- to copy your product or service ranging from low to high and then, along the bottom we talk a little bit about the complementary assets themselves. Are they unimportant or freely available? In other words, you don't care about them or you can easily write a contract to have access to them. Or, whether they are important and tightly held, which means that only one or a very small number of companies hold the complementary assets. And in which case you, as the inventor, will certainly be in the driver's seat, as we say, in this quadrant where it's difficult to imitate what you're doing and the complementary assets are unimportant or freely available. That's here. There's also a chance that you can gain something in situations of low imitability. Even if there's a tightly held asset. And, chances are, you're not going to make much money off of this invention if, indeed, it is easy to copy your invention. So here the complementary asset holder will make the money, and here customers will win. Not to say that these are all bad places to be because it's just a question of how quickly you move on to the next product.

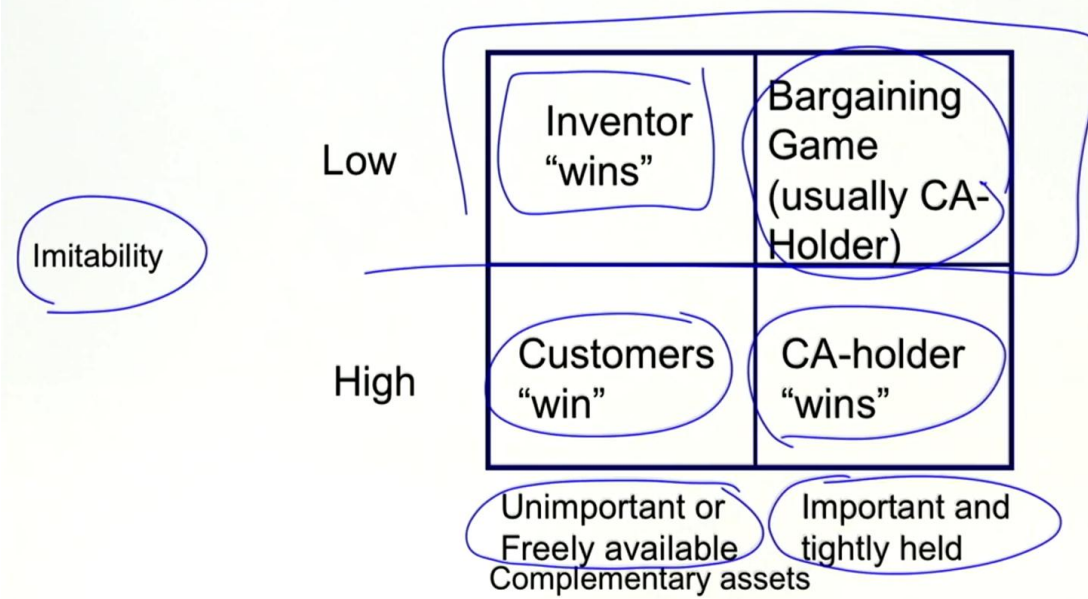
Notes

Summary

0m 04s



Complementary asset framework



Adapted from Teece (1986); Henderson (1993)

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So, up here -the top half- you may be able to invent something and then make money from it for a longer period of time. The lower half of this figure, you probably want to move on relatively quickly from your invention to the next invention to come up with a new product frequently. So you're running: keep a Run strategy.

Notes

Summary



4m 38s



- Liability: *when you are responsible for something.*
- Incorporation
- Vesting shares: *what happens if someone leaves your company?*
- IP filings outside your country
- Non-compete contracts
- Product liability
- Finding a lawyer

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We then moved on to discuss legal issues including: What is liability? It's when you are held responsible for something. We talked about incorporation: what kinds of shares do you need to have, why managers and founders should always vest their shares, what happens if someone leaves your company? We talked about intellectual property filings outside of your country. So what is your overall global technology strategy? We discussed non-compete contracts, product liability, and even what to look for in finding a lawyer.

Notes

Summary



5m 02s

When should you pivot?



- When your primary assumptions are wrong
- When customers have different needs than what you thought
- When your environment is changing
 - When new competition arises
 - When new regulations are introduced
 - When macroeconomic changes take place (recession, boom, etc.)
- When no-one wants to pay for your product, either directly or indirectly
- When your sales cycles are too long

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And then in this very last segment, we talked a little bit about pivoting. What it is and when you would want to do it. And here, this should be, when your primary assumptions are wrong. When people have a hard time paying when you expected them to pay, when things change in your environment, when your sales cycle are too long, that's a sign that you should be shifting some aspects of your business model to take advantage of the needs that are actually out there.

Notes

Summary



5m 42s



Scaling refers to achieving a much higher sales volume using the same infrastructure.

Scaling entails:

- Creating a back-end that works efficiently
- Understanding the size of the market
- Understanding the marginal cost of gaining more sales as you grow (it should be low)
- Knowing the whole sales cycle
- Designing and marketing with large numbers in mind
- Making sure the organization can handle growth

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We discussed scaling up, and that means achieving higher sales volume, using the same infrastructure. And we talked a little bit about what to do to make that happen. So, you create the backend. You want to make sure that your marginal costs of adding more sales is low. And we also want to make sure that the organization itself can handle growth.

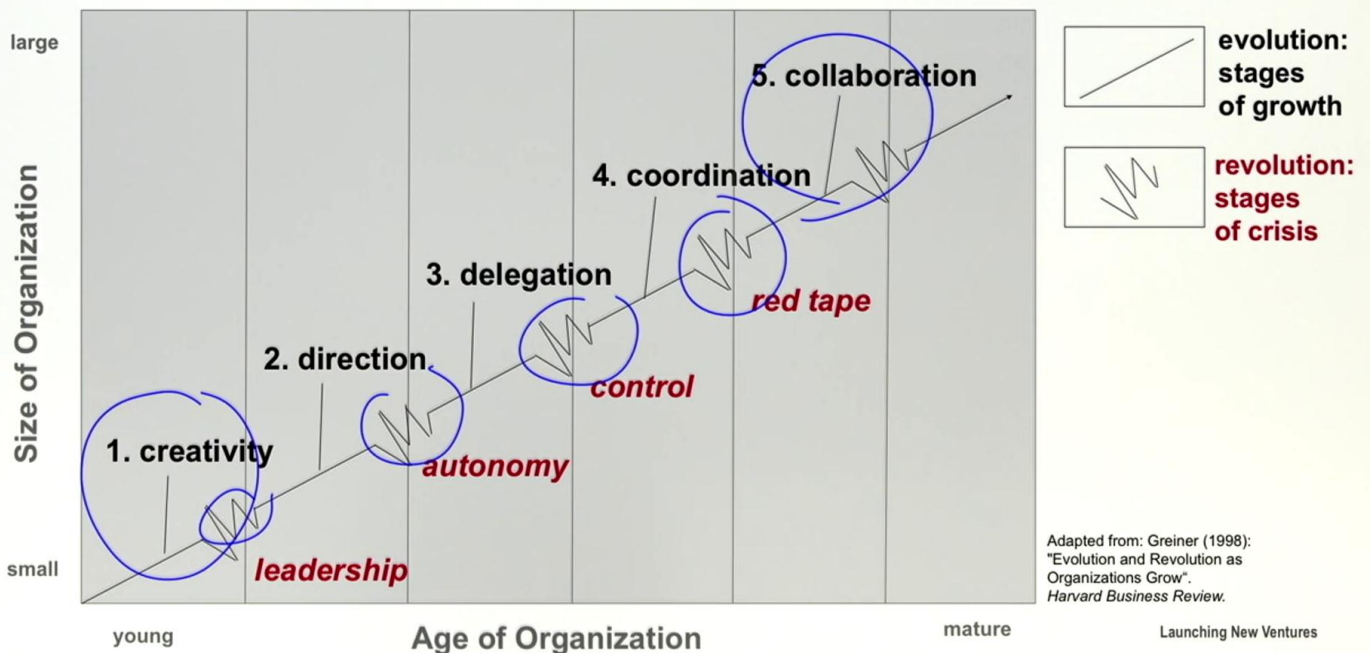
Notes

Summary



6m 15s

Stages of growth



Which led us to this final figure here, where we discussed the relation between the size of an organization and the age of an organization and the different stages that the organization usually passes through when it grows into a larger entity. If you recall from this figure, and from our discussion, the organization – the start up company – moves from the founder driven organization in the beginning, accompanied by multiple crises at various points in time, to a more managerial oriented hierarchal company, that is much bigger and has a much higher scale.

Notes

Summary



6m 40s



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So that's it for week five content. Stay tuned for the summary of the whole course that Marc and I are going to do next.

Notes

Summary

7m 25s

