CONNECT 2021-2024

Connecting universities-industry through smart entrepreneurial cooperation and competitive intelligence of students in Moldova, Georgia and Armenia

Erasmus +, KA2,

Capacity Building in the Field of Higher Education

617393-EPP-1-2020-1-MD-EPPKA2-CBHE-JP

ON STARTUP TYPES &THE MENTOR-MENTEE RELATIONSHIP BUILDING

"A company in the first stages of operations. Startups are founded by one or more entrepreneurs who want to develop a product or service for which they believe there is demand. These companies generally start with high costs and limited revenue, which is why they look for capital from a variety of sources such as venture capitalists". https://www.investopedia.com/terms/s/startup.asp)

WHEN NO LONGER A STARTUP

- ✓ Ability to buy other companies

- ✓ When no longer a high-risk stake for investors

- ✓ When exceeding revenues of $300-500 M

- ✓ When brand is broadly recognized

startup idea = [great idea – reality]

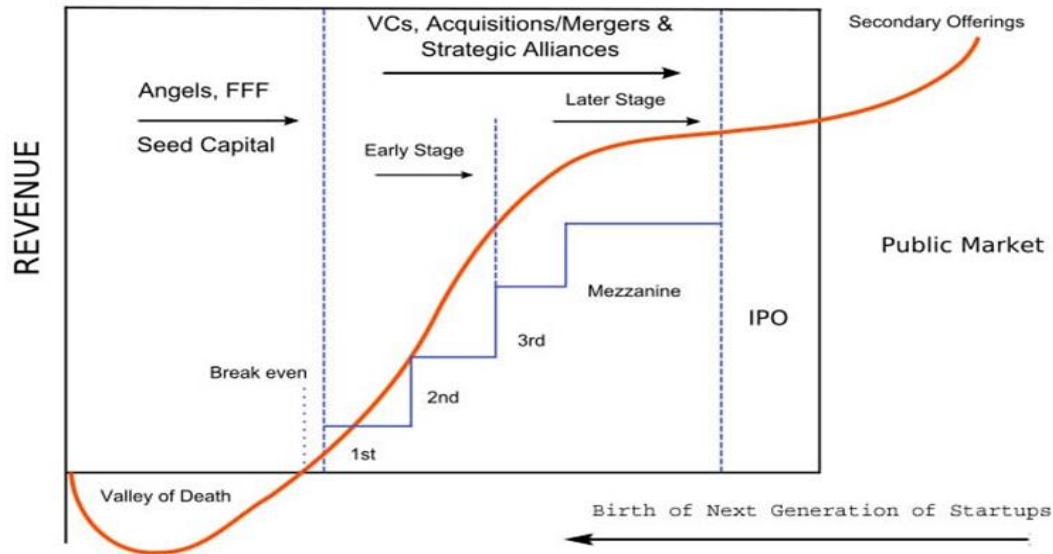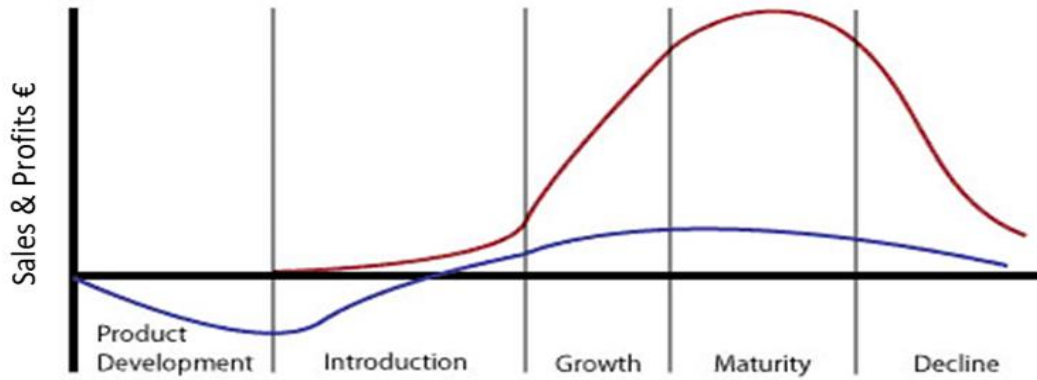show that you have a solid, viable business case

Product Life Cycle: Sales and Profits

Sales & Profits €

Product Development | Introduction | Growth | Maturity | Decline

REVENUE

Angels, FFF
Seed Capital

VCs, Acquisitions/Mergers & Strategic Alliances

Early Stage

Later Stage

Secondary Offerings

Public Market

Break even

Valley of Death

1st
2nd
3rd
Mezzanine
IPO

Birth of Next Generation of Startups

STEVE BLANK'S 6 TYPE OF STARTUPS

- **The Lifestyle Startup**: Independent web developer, graphic designer, consultant.

- **Small businesses**, usually family owned and run

- **Silicon Valley-type startups / scalable startups**: can attract all the risk capital from VC Funds, Corporate Funds and Companies.

- **Buyable**: designed to be quickly sold to other companies for amounts between $5M to 50M e.g., due to their tech and flipped.

- **Large company startups**. need to drastically differentiate and create entirely new products sold, in new markets.

- **Social startups:** Their founders form them around some charitable character.

STARTUP TRENDS

The Covid 19 pandemic along with the intensification of climate change, accelerated founders and investors interest in:

- Advances in gene delivery, especially for infectious diseases
- Disaster Preparedness
- Climate Change Tech
- Sustainable Materials to Replace Plastic
- Future of work

STARTUP TRENDS

- ✓ technology plays a catalytic if not imperative role to most of the startups
- ✓ journey starts small with very limited resources
- ✓ money to fund journey
- ✓ **0,5% of those startups will receive funding**
- ✓ innovation has become less "innovative"
- ✓ appetite for high-risk investments

Total funding raised over the last five years ($ billions)
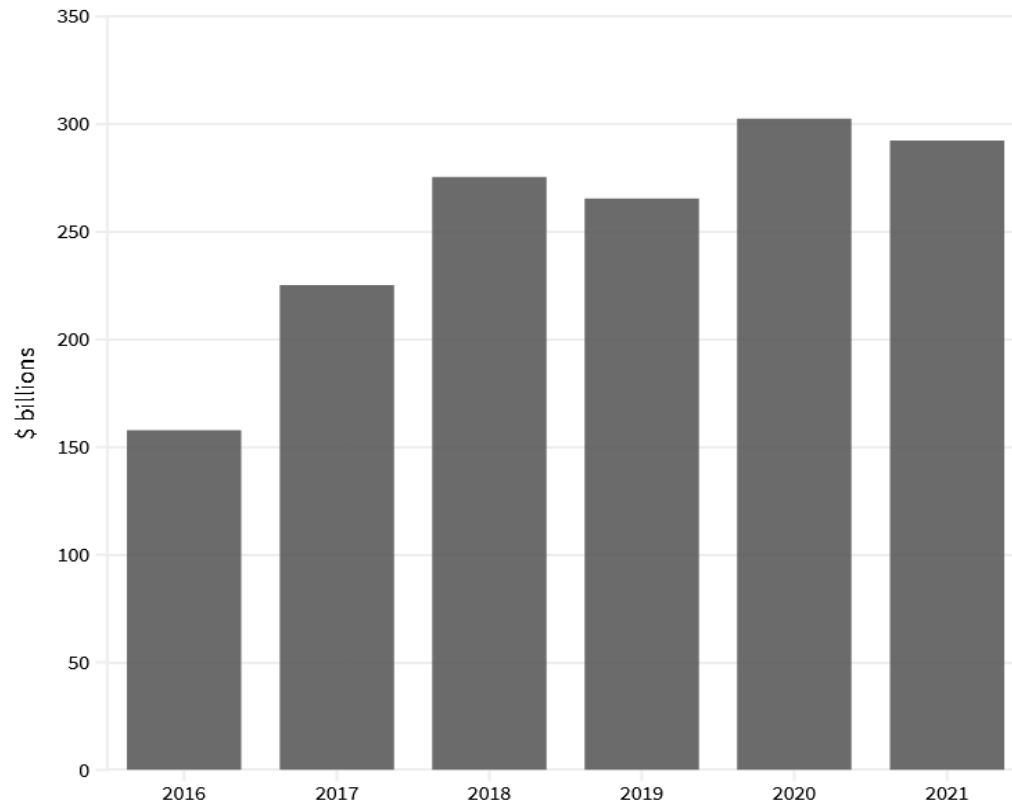
Source: CB Insights

Should startup join an accelerator program?

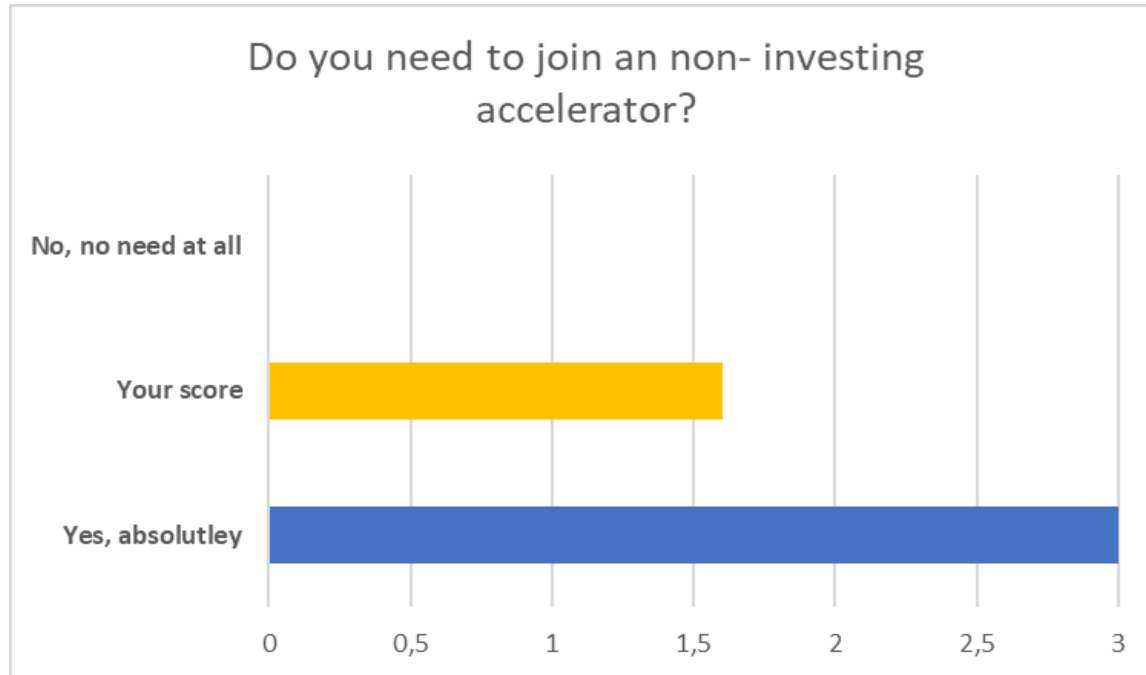depends on:

- program specifications
- startup founders' priorities.

MENTEES' NEEDS

Do you need to join an non- investing accelerator?

Screening Questions

	VERY EARLY STAGE ACCELERATOR			
	WEIGHTS	**INTENSITY** MAX = 3 (Yes) , MIN=0 (No)	**RESULT (YOUR SCORE)**	**MAXIMUM VALUE (ABSOLUTE "YES")**
Is this your first startup?	30%	0	0	0,9
Do you want to increase your knowledge of the industry or sector?	10%	2	0,2	0,3
Do you need to build right now your network?	10%	2	0,2	0,3
Do you need to start soon raising venture funds?	5%	1	0,05	0,15
Are you able to make a few months commitment to an accelerator?	20%	3	0,6	0,6
Will an accelerator solve specific challenges you face?	15%	3	0,45	0,45
Do you already have a product or prototype?	10%	1	0,1	0,3
TOTAL	**100%**		**1,6**	**3**

Do you need to join an non- investing accelerator?

MENTEES' NEEDS

Do you need to join an investing accelerator?

Screening Questions

Screening Questions	ADVANCED / INVESTING ACCELERATOR			
	WEIGHTS	INTENSITY MAX = 3 (Yes), MIN=0 (No)	RESULT (YOUR SCORE)	MAXIMUM VALUE (ABSOLUTE "YES")
Is this your first startup?	5%	0	0	0,15
Do you want to increase your knowledge of the industry or sector?	10%	2	0,2	0,3
Do you need to build right now your network?	15%	2	0,3	0,45
Do you need to start soon raising venture funds?	20%	1	0,2	0,6
Are you able to make a few months commitment to an accelerator?	15%	3	0,45	0,45
Will an accelerator solve specific challenges you face?	20%	3	0,6	0,6
do you already have a product or prototype?	15%	1	0,15	0,45
TOTAL	100%		1,9	3

MENTEES' NEEDS

Do you need to join an advanced / investing accelerator?

There is a lot of confusion about the definitions of

✓ Mentor's

✓ Coaches

✓ Advisors

Depending on the program, a "coach" or "mentor" usually provide more frequent services to startups while **"advisors" are less engaged, and they are called in to supplement the program's coaches with their industry expertise and connections**. Sometimes mentors are less frequent involved, so they are used as advisors.

No matter how you call them, there is typically **more frequent and less frequent engagement** with startups that is required within a program, but depending on the type of acceleration formula used a **synthesis of facilitators** can be employed

FACILITATORS' SYNTHESIS

ENGAGEMENT	Coaching Intensive		Intensive and Extensive Mix		Coaching with Lectures		Coaches and Advisors working together		Startups work with less supervision	
	Program Coaches	Guest Advisors	Program Coaches	Guest Advisors	Program Coaches	Guest Advisors	Program Coaches	Guest Advisors	Program Coaches	Guest Advisors
Daily/Weekly consulting	X		X		X		X			
Lectures/Master Classes		X		X	X					X
Proffesional Advise				X				X		X

MENTORING ENGAGEMENT

- ✓ not all projects are created equal

- ✓ responsibility of the program organizers to screen them early

- ✓ identify the applicants project parameters

- ✓ identify the accelerated startups needs

- ✓ select the right mentoring approach for the job

Mentor = (wisdom + contacts) – money

Don't try to turn a "Rembrandt" to a "Picasso"

Identify the entrepreneurial persona/entity and find a solution that fits the character/situation

why

do startups need you?

is

there an actual need

technical issues

core business
Strategy

team/HR

"The key to success lies in understanding what problem you are trying to solve.

…take a step back and ask: "what question are you really trying to answer here?"

-Fred Destin, Accel Partners

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are

you the right person to assist/add value to the interaction?

"Do they need help with something specific? Or are they looking for validation of the idea?

Seeking out mentors for idea validation is the single biggest mistake most startup founders make."

-Rahul Varshneya, co-founder, Arkenea

if

you are the right person for the job, define your role.

If not,
who is better equipped to help?

"Mentors and founders should be comfortable enough to disagree, have open discussions, and get into each other's faces (within reason)."

-Ben Yoskovitz, founder & angel

how

is the problem manifested?

Are there any Data available?

Find some concrete examples to begin identifying trouble spots

"it's usually about identifying shortcomings in the current approach or suggesting useful frameworks to define and test assumptions."

-Fred Destin, Accel Partners

who

in addition to you, can help?

Can co-founders be enlisted
to improve
efficiency and effectiveness?

Are there others in your
network
who might be beneficial
resources?

"There has to be a genuine purpose for an introduction, the timing has to be right (for everyone involved), and expectations have to be clearly set."

-Ben Yoskovitz, founder & angel

Mentoring Range

Need Validation (find if there is any)

Competition Analysis (find gap)

Solution Design (to solve problem)

Pre-Launch and Launch (to the right segment)

On-boarding Clients (to get feedback)

Financial Planning (to show viability)

Governance (to manage)

Raise of Funding (to finance operations)

MENTORING ENGAGEMENT

"It's Brilliant!!"

Idea – Concept – MVP chain: characteristic trouble spots

Idea ➡ **Concept** ➡ **MVP**
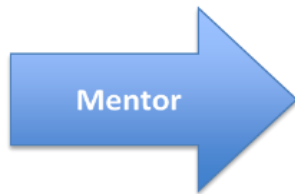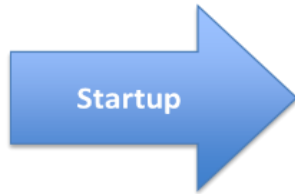
Startup ➡
- Lack of clear value proposition or market differentiation
- Need-identification is missing or inaccurate
- Insufficient team &/or skills to execute prototype or product

Mentor ➡
- Help define the idea in 5 words or less = value proposition; add wireframe or service flow
- Examine customer profile & re-frame if necessary
- Determine the basics necessary to iterate & deliver the MVP; examine why team lacks correct mix

MENTORING ENGAGEMENT

"It's Wanted!!"

Market Research, Product Validation, Market Fit


Startup
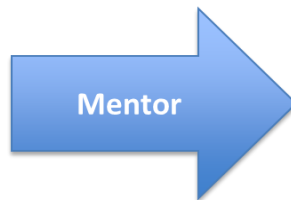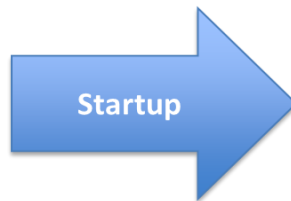
- Lack of primary data; desk research only

- Faulty interpretation + wrong assumptions =

- Over-estimation of market potential

Mentor

- Re-frame the research parameters & execute for new data

- Confirm existence of market gap & product potential

- Check the strategy and strength of market fit = how to occupy the space effectively

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"It's Monetizeable!!" USP & the Dreaded Revenue Model
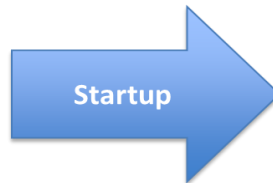
USP → Revenue Model → KPIs

Startup
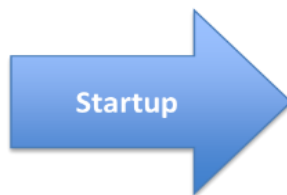
- Insufficient grasp of customer buying/adoption habits

- Wrong benchmarking or vanity metrics

Mentor
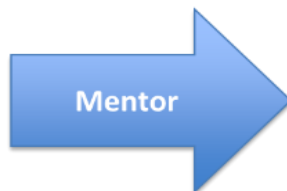
- Confirm that the Unique Selling Proposition is indeed Unique (enough to last)

- Analyze customer acquisition strategy, pricing strategy or competitors' models to define reasons for adoption failure

- Identify the most important KPI and try to track progress from early iteration to present; forecast based upon new info
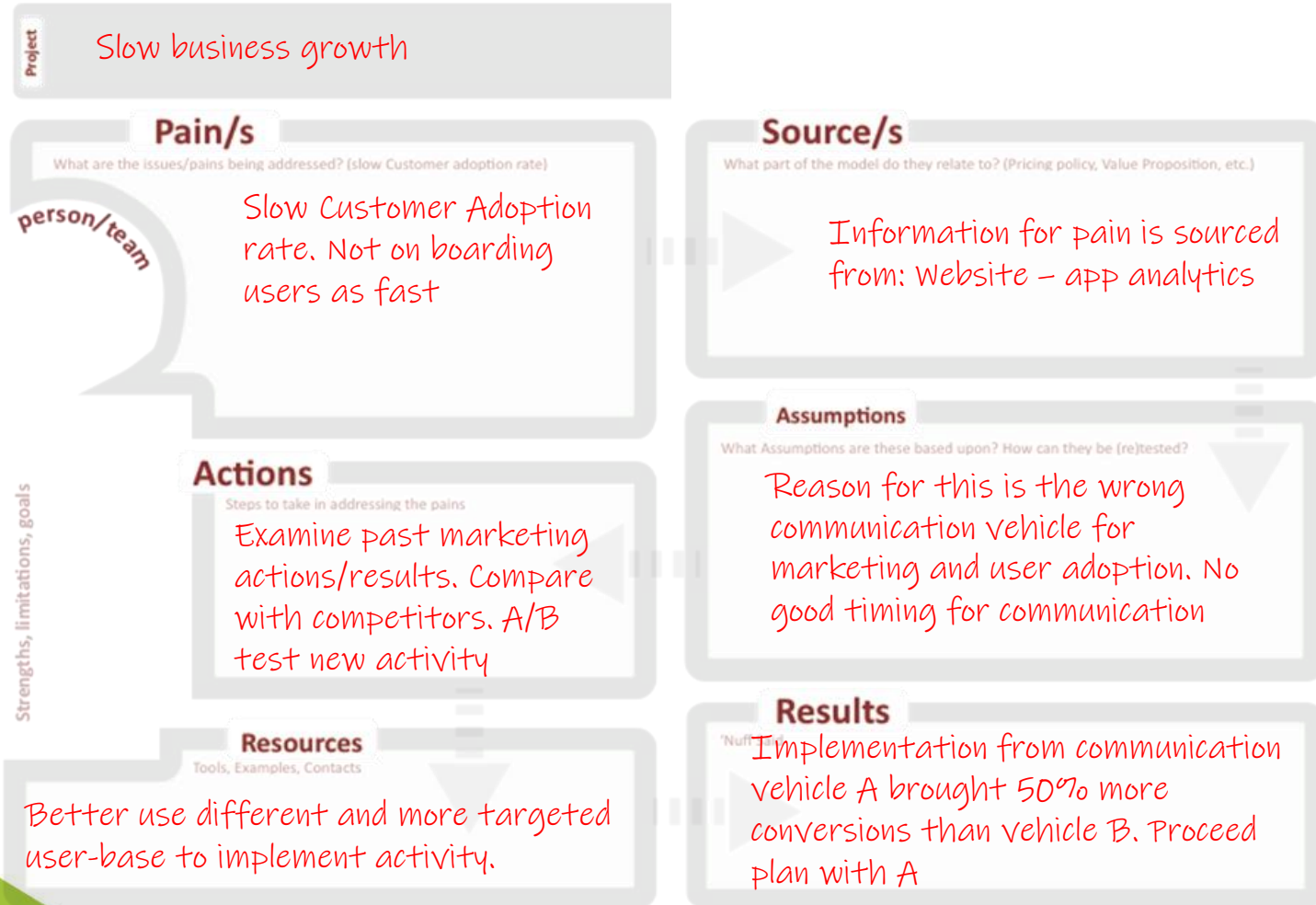
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MENTORING ENGAGEMENT

"It's – Not…"

Pivots, Splits, and Fails: riding the bumps in the road

Pivot → **Splits** → **Fails**

Startup
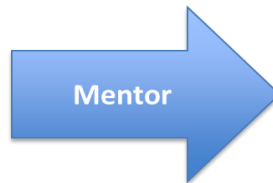
• "Oops" its not working right…

• Character conflicts, lack of synchronous vision

• Too much empathy; not knowing when to quit

Mentor

• Re-examine earlier assumptions or tech/market changes to frame new options

• Map the severity of loss (skills, knowledge); determine exposure and risk to viability (replaceable?)

• Analyze the empathy; compare with hard facts/data; assist the team to "own" their failure & move on
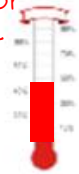
The Mentor's Canvas

Project

Slow business growth

person/team

Strengths, limitations, goals

Pain/s
What are the issues/pains being addressed? (slow Customer adoption rate)

Slow Customer Adoption rate. Not on boarding users as fast

Source/s
What part of the model do they relate to? (Pricing policy, Value Proposition, etc.)

Information for pain is sourced from: Website – app analytics

Actions
Steps to take in addressing the pains

Examine past marketing actions/results. Compare with competitors. A/B test new activity

Assumptions
What Assumptions are these based upon? How can they be (re)tested?

Reason for this is the wrong communication vehicle for marketing and user adoption. No good timing for communication

Resources
Tools, Examples, Contacts

Better use different and more targeted user-base to implement activity.

Results
'Nuff...

Implementation from communication vehicle A brought 50% more conversions than vehicle B. Proceed plan with A

Startup Thermometer

TEAM:
VALUE PROPOSITION:

Check list   Team
- Skills
- Leadership
- Completeness   Great, very
- Imagination   motivated team
- Cooperation   that needs though
- chemistry   some additional
                        members to
                        complement
                        necessary skill sets

Check list   Pain
- Need   There is a need for
- Scale   the product, but
- Competitors   competition
- Gap   analysis needs
                    work to
                    understand better
                    the possible gap

Check list   Business Model
- USP   Very early stage
- MVP   MVP not ready -
- Cost   will need about a
- Revenue   year to test to
- Scale   early adopters and
- Investment   around 80k euros
                    to reach to that
                    point

Check list   Opportunity
- Market Fit   Very early to say
- Early Adopters   about opportunity
- Grow2Market   unless competition
- Exit   analysis and some
                    early tests with
                    users are
                    performed

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The Business Model Canvas

Key Partners
Who are our Key Partners?
Who are our key suppliers?
Which Key Resources are we acquiring from partners?
Which Key Activities do partners perform?

Payment Processors

Map Tech Companies

Investors

Very early stage MVP not ready - will need about a year for early adopters and around 80k euros

Key Activities
What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue streams?

Marketing & Ads

Platform Dev.

Hiring Drivers

Legal constraints **Operations**

Key Resources
What Key Resources do our Value Propositions require?
Our Distribution Channels? Customer Relationships?
Revenue Streams?

Not identified yet

Value Propositions
What value do we deliver to the customer?
Which one of our customer's problems are we helping to solve?
What bundles of products and services are we offering to each Customer Segment?
Which customer needs are we satisfying?

Platform to connect drivers with riders

Easiest way around

Any ware - Anytime

Low Cost or Luxury

Various levels of service

Earn money when you want

Customer Relationships
What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
Which ones have we established?
How are they integrated with the rest of our business model?
How costly are they?

Rating System

Channels
Through which Channels do our Customer Segments want to be reached?
How are we reaching them now?
How are our Channels integrated?
Which ones work best?
Which ones are most cost-efficient?
How are we integrating them with customer routines?

App

Competition with uber-like apps

Customer Segments
For whom are we creating value?
Who are our most important customers?

Riders who want to earn money driving

People who need a ride

Expect slower Customer Adoption rate. Not to on board users as fast as planned

Cost Structure
What are the most important costs inherent in our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?

underestimated **Marketing & Ads**

underestimated

Employee Ppayroll **Drivers Payouts** **Legal Fees** **Tech Platform Costs**

Revenue Streams
For what value are our customers really willing to pay?
For what do they currently pay?
How are they currently paying?
How would they prefer to pay?
How much does each Revenue Stream contribute to overall revenues?

$/Km **Surge Pricing**

MENTORING ENGAGEMENT

Confucius 3 ways to learn wisdom:

- reflection, which is noblest

- imitation, which is easiest

- experience, which is hardest.

MENTORING ENGAGEMENT

Many startup supporting organizations have adopted basic principles under which their mentors operate like the Techstars' Mentor Manifesto (https://www.techstars.com/the-line/advice/mentor-manifesto) , created by co–founder David Cohen

MENTORING ENGAGEMENT

- ✓ Founders prefer straight forward, clean advice.
- ✓ Unfortunately, just dictating advise takes away value from the learning process.
- ✓ It's a tricky balance to keep but it can provide the best of both worlds.
- ✓ The Mentor – Mentee relationship starts with listening and continuous with responsiveness.
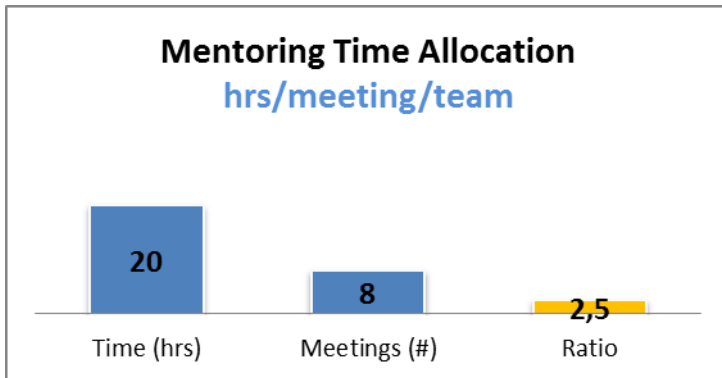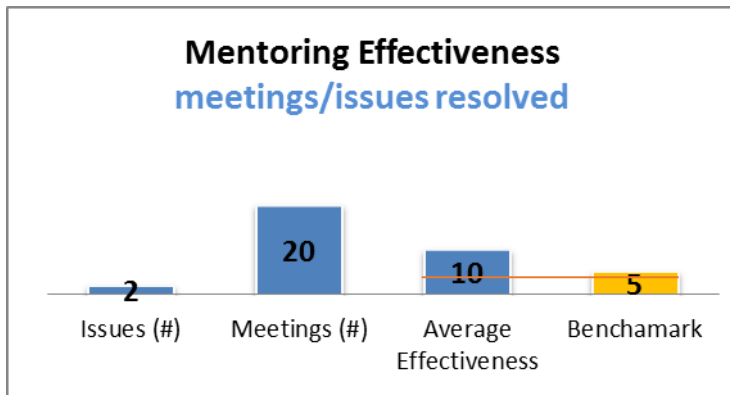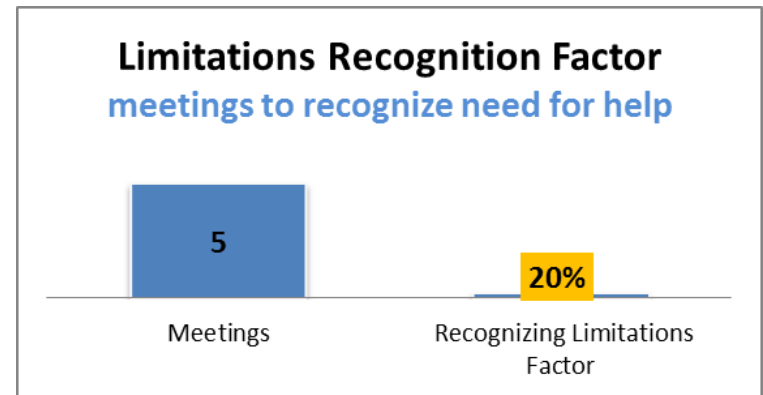
Indicative Graph: measure how much time you spend /mentoring meeting
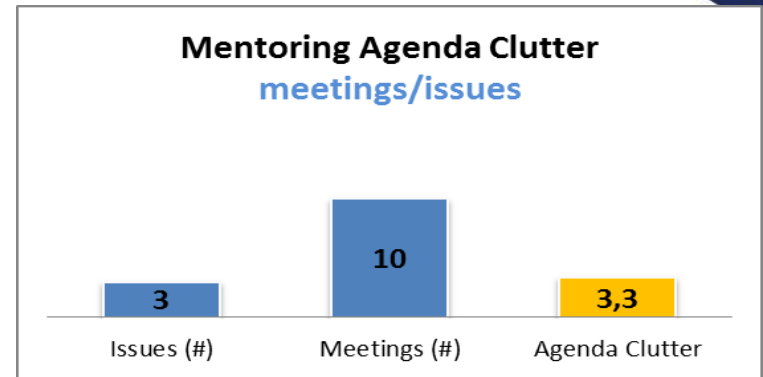
Indicative Graph: measure how cluttered is your agenda (less is best)

Indicative Graph: measure how effective you are with # of challenges. Set limits in the issues you try to manage at a time

Indicative Graph: How many meetings it takes to recognize that you need additional / external help with your mentoring process

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ADVISORS ENGAGEMENT

Advisors: valuable addition to an acceleration program or incubator to fill the gaps in everyday engagement

- ✓ networking
- ✓ industry experts
- ✓ opening doors
- ✓ sharing their experiences

ADVISORS ENGAGEMENT

Formalizing the type of help on behalf of the advisors

- Equity (a small share of the company)
- Success fee operates as a variable cost, an easier way to calculate

Equity is often seen as a more effective as it creates a longer-term relationship

ADVISORS ENGAGEMENT

Founder-Advisor Agreement:

✓ rules of engagement and time commitments

✓ intellectual property and non-disclosure restrictions

✓ conflicts of interest

✓ amount of % of shares an advisor will receive

✓ price per share (if any) and conditions of shares ownership

✓ valuation cap

✓ transferability of shares

✓ termination clauses