

The 16th Annual The Nuts and Bolts of Business Plans

MIT Course 15.975

January 2005

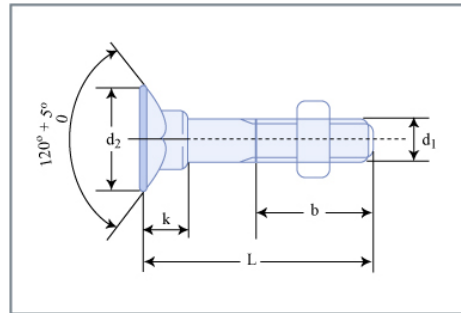


Image by MIT OCW.

Joe Hadzima

(MIT S.B., M.S. in Management; Harvard Law)
Senior Lecturer, MIT Sloan School
Managing Director, Main Street Partners LLC

Joost Bensen

MIT Sloan Graduate Student
Former Lead Organizer, MIT \$50K Competition

Yonald Chery

MIT Course 6, PhD Candidate
\$50K Finalist, Founder Virtual Ink

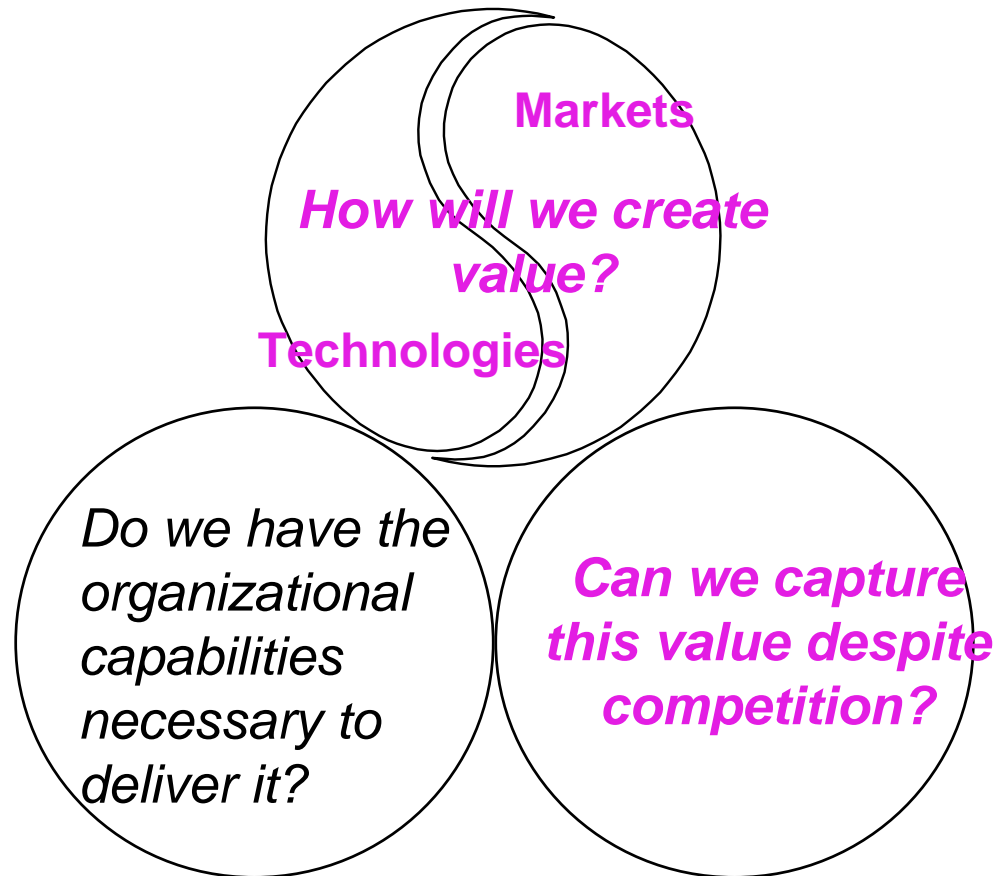
Mark Roberge

Technology Strategy for Start-Ups

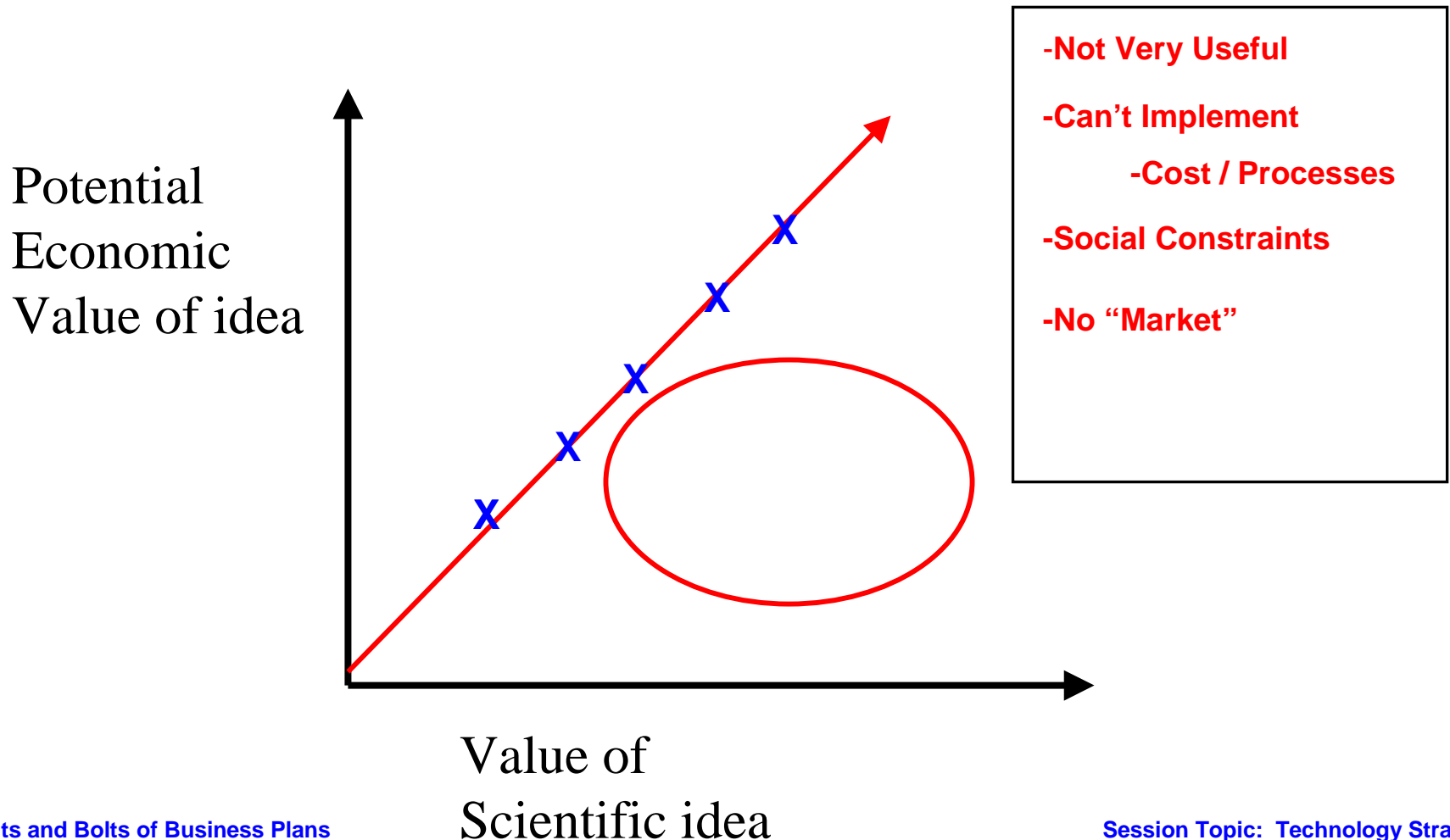
Professor Fiona Murray

Sloan School of Management

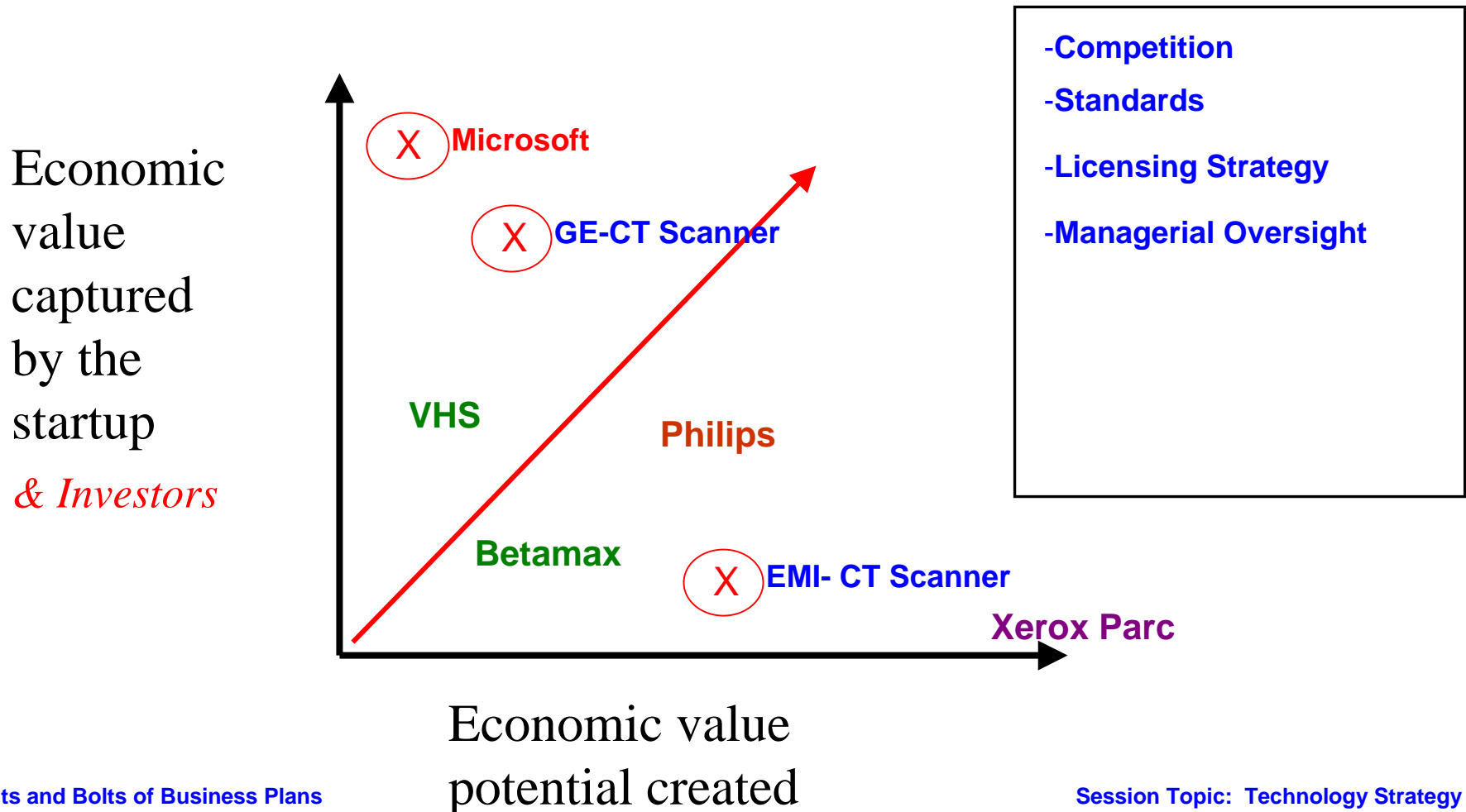
Foundations of Technology Strategy



Do all scientific ideas have economic potential?



Is it the case that great ideas = pots of money?



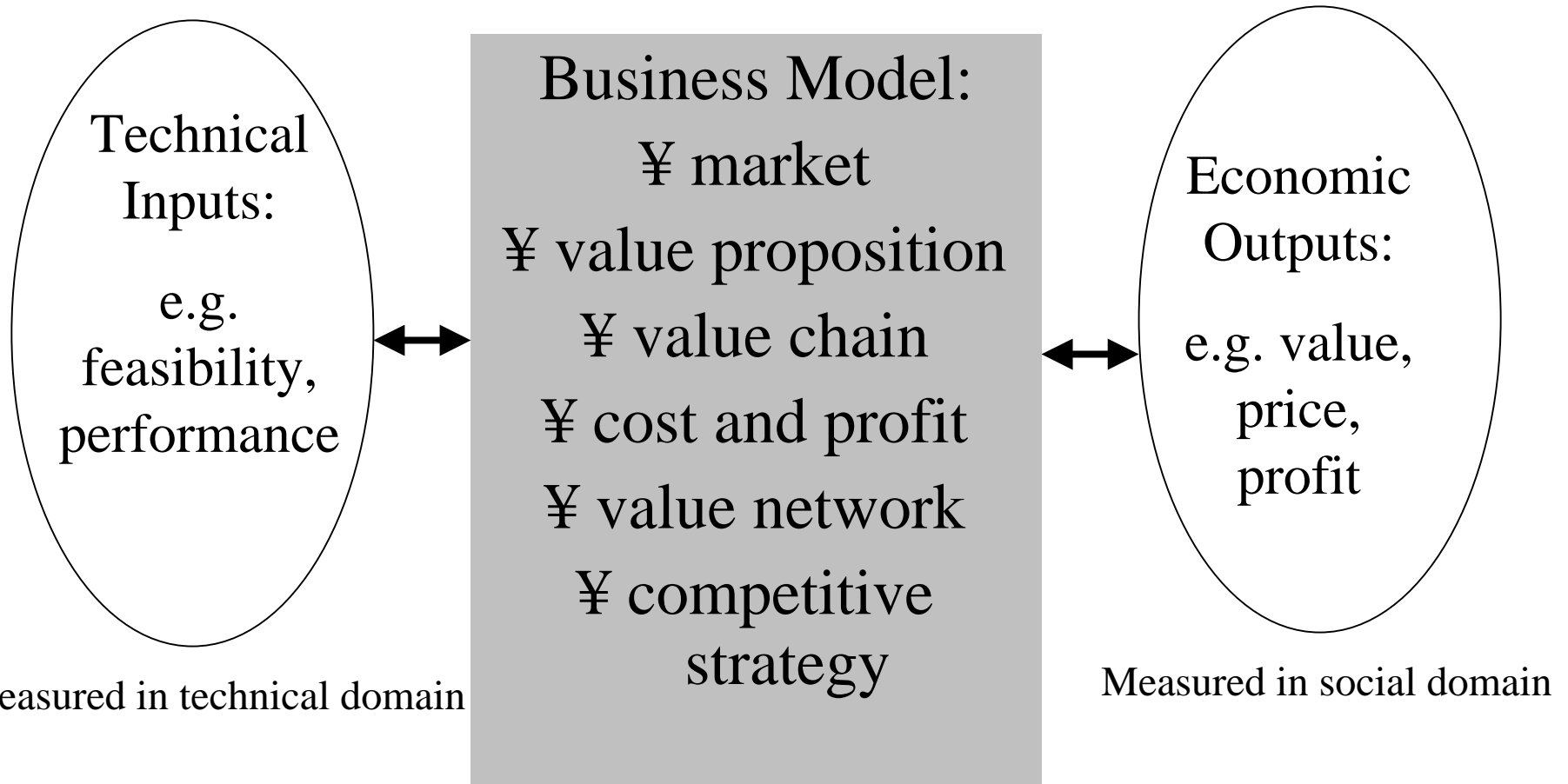
Two main areas of technology strategy

- Value creation
 - Does this technology or scientific idea create something of value for customers?
- Value capture
 - Can we capture the economic value inherent in this idea in the face of competition?

What is a business model?

- Business model =
How do you plan to make money?
- Way you decide to transform your scientific ideas into economic value

The Business Model Mediates Between the Technical and Economic Domains



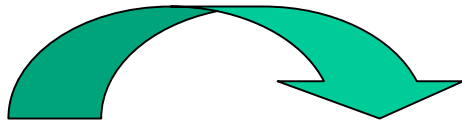
Value Creation

- What is your value proposition?
- What does this idea do for a group of customers?
- Valuable attributes belong to products not technologies



Many technologies can be used in different ways

- Which customers are most willing to pay?
- Where is this the most significant improvement?
- Which applications are the most technology do-able?
- Which applications are on the path to progress?



Technology

e.g. e-Ink

Product/solution

e.g. Signage

Product/solution

e.g. eNews

Product/solution

e.g. eBooks

Value Capture

- Can we protect our competitive advantage (value proposition)?
- How will we deliver value to customers?



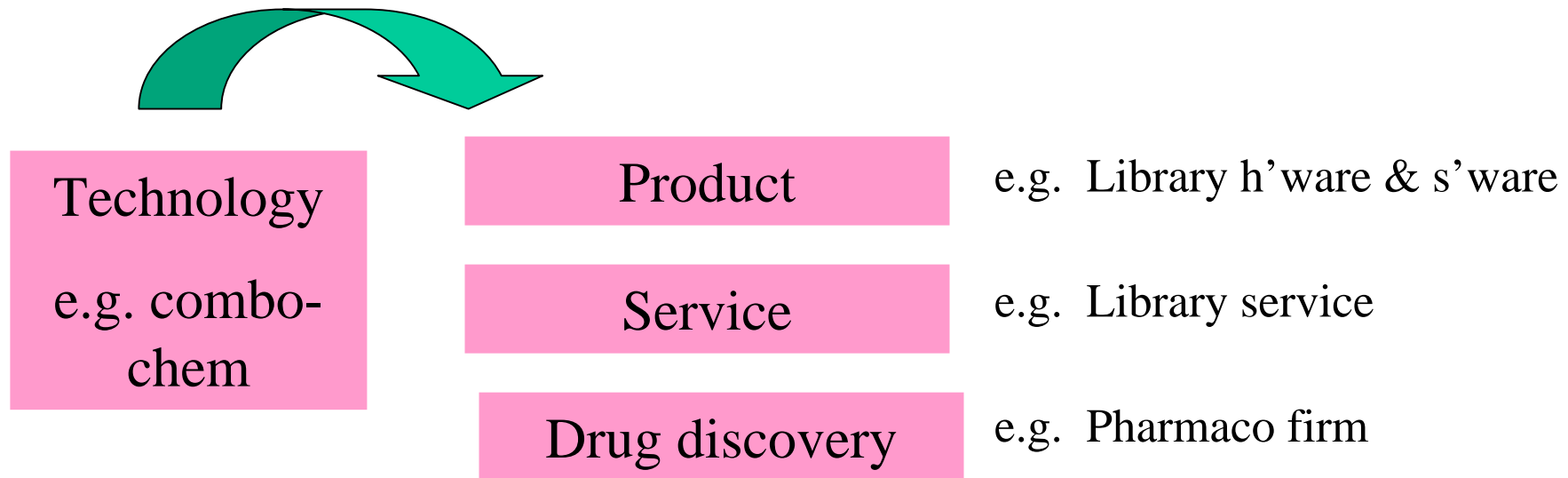
What protective layer can we wrap around our technology, product & customers?

Four key ideas for start-ups:

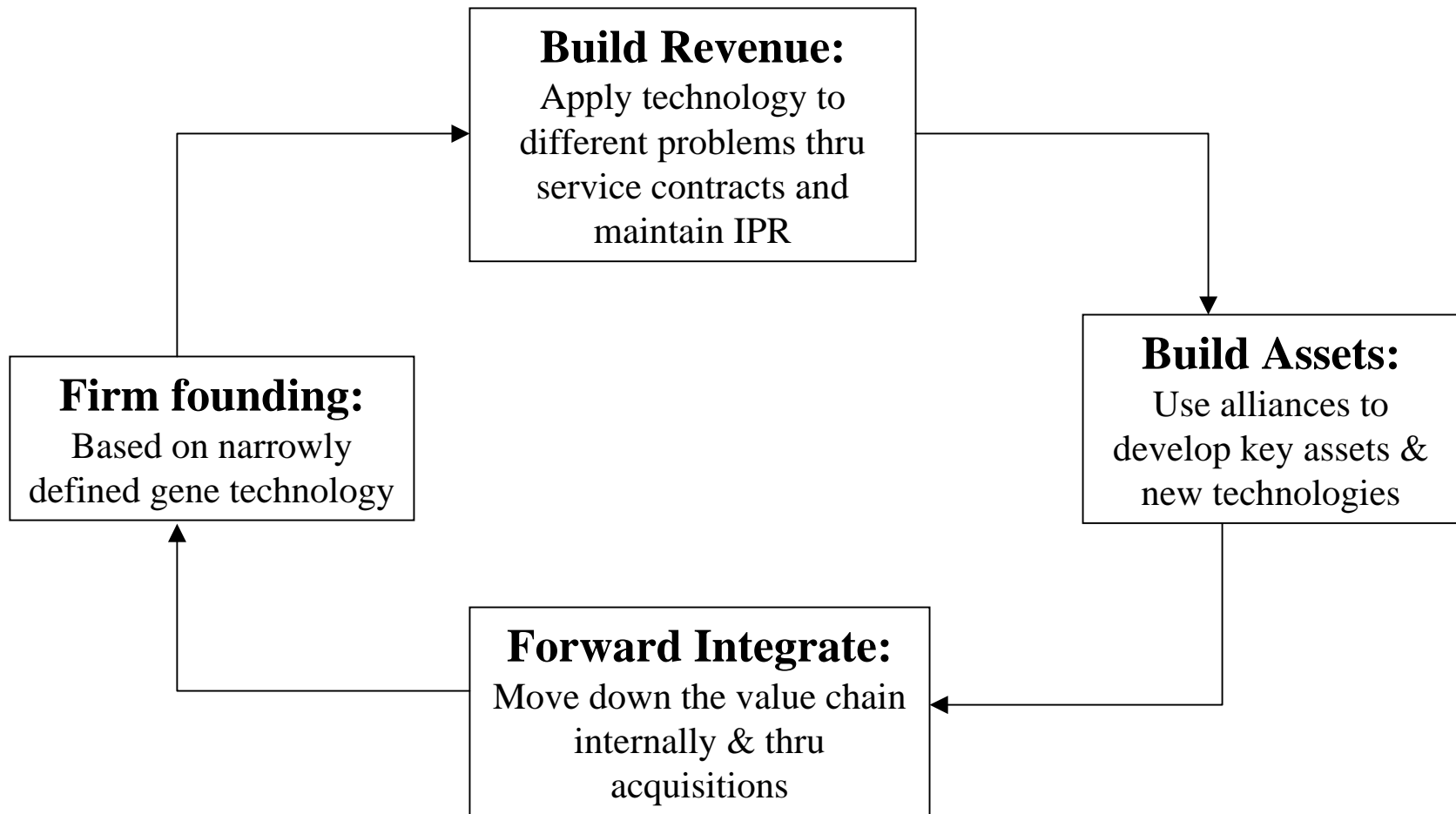
- **Intellectual property**
 - **Controlling the knowledge underlying an innovation**
- **Secrecy**
 - **No-one else knows how to do this**
- **Speed**
 - **Moving rapidly beyond current competition & keeping ahead**
- **Lock-in customers**
 - **Making it costly for customers to switch or becoming the standard**

Many ways to deliver value to customers ...

- Product or service?
- How far along the value chain?
- Interaction with competitive advantage & protection



Evolution of your technology strategy: example of Millennium



Key Questions that MUST be addressed

- **Does this idea create economic value?**
 1. What is the value proposition of the product?
 2. What is the market segment?
- **Can we capture this economic value?**
 3. Can we protect our competitive advantage
 4. Where in the value chain are we focused – how do we deliver the value?