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# The Anatomy of Silicon Valley UpStarts

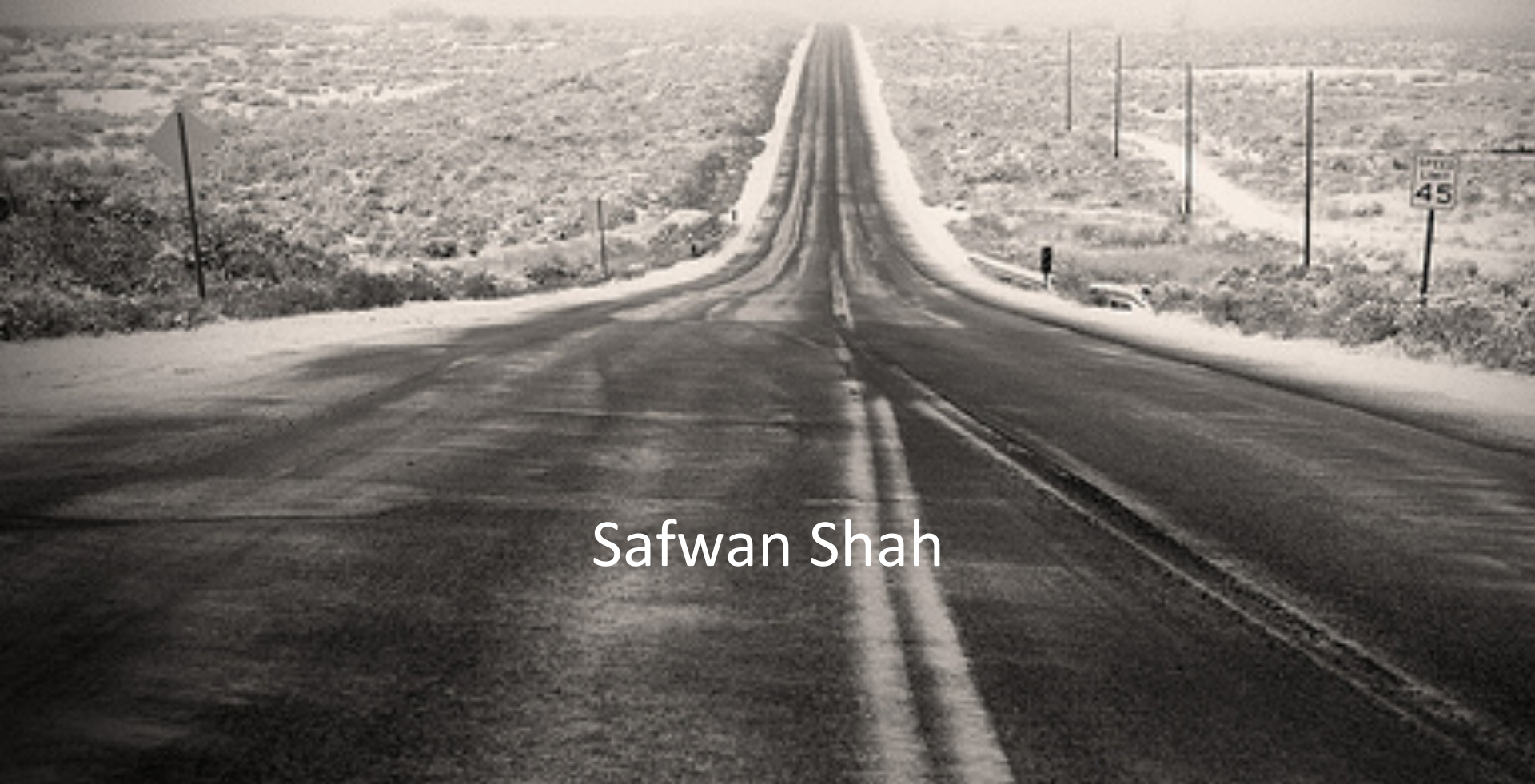
From the eyes of a silicon valley  
entrepreneur



<https://www.youtube.com/watch?v=XKocnAS345U>  
<https://www.youtube.com/watch?v=T6MhAwQ64c0>  
[Entrepreneurship](#)



# Entry to Exit (*e2e*)– Journey of the intrepid entrepreneur



Safwan Shah

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# Seminar for TIM 101

Baskin School of Engineering

April 9, 2015

If you do something and it turns out pretty good,  
then you should go do something else wonderful,  
not dwell on it for too long. Just figure out what's  
next - *Steve Jobs*

"If you do something and it turns out pretty good,  
then you should go do something else wonderful,  
**not dwell on it for too long. Just figure out what's next!**"

Steve Jobs

# Safwan Shah –

- Launched business with \$36,000 in credit card debt [1999]
- Made the deals, alliances and mutations to survive ...
- As an exec in a large company ran a >\$200M P&L
- Laid off 5, 25, 100, 200, ... that is all I remember ...

Several failures

**Won, lost, won, learned.  
At it again ... Here to share.**

**PayActiv**

**INFONOX** **TSYS**

**BIO SERVE** **NASA**  
SPACE TECHNOLOGIES



**NED University**  
Of Engineering & Technology



University of Colorado  
Boulder



**Berkeley**  
UNIVERSITY OF CALIFORNIA



UNIVERSITY OF CALIFORNIA  
**SANTA CRUZ**

# Topics

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1. The innovation system at Silicon Valley (using the Silicon Valley startup mindset)
2. Frameworks for analysis and learning to see beyond your own nose –

# Dissecting the title

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- Anatomy means basic framework and vocabulary
  - We will stay at outline level but it will get intense often
- Silicon Valley is self explanatory
  - It is the crucible, the primordial soup
- Innovation(s)
  - Products born in the crucible
- Entrepreneur, Intrapreneur
  - The captain of the ship.



# Abstract

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Silicon Valley is the source of practically all major technological innovations and trends that have been commercialized in the last 5 decades. Be it semiconductors, computers, software, networking, Internet, mobile phones, cloud computing ... the list goes on - a silicon valley connection is not too difficult to find. What is it that makes the valley invent, re-invent and relentlessly monetize? Why is it that most ideas become commercial realities here before being globalized? Most agree that the secret sauce is somewhere in the startup environment, culture, tradition and process. In this unique presentation the speaker will deconstruct various aspects of the startup factory – from an entrepreneur getting to 'yes', going through frameworks for analyzing business ideas, building teams, writing a sales, marketing and financial plan, understanding the mind of investors, pitching for funding and launching a business. The primary objective is to share knowledge but a deeper interest is to encourage and inspire the creation of new startups by new innovators.

# Abstract

Silicon Valley is the **source of practically all major technological innovations** and trends that have been commercialized in the last 5 decades. Be it semiconductors, computers, software, networking, Internet, mobile phones, cloud computing ... the list goes on - **a silicon valley connection is not too difficult to find**. What is it that makes the valley invent, re-invent and relentlessly monetize? **Why is it that most ideas become commercial realities here** before being globalized? Most agree that **the secret sauce is somewhere in the startup environment, culture, tradition and process**. In this unique presentation the speaker will deconstruct various aspects of the startup factory – from an entrepreneur getting to 'yes', going through frameworks for analyzing business ideas, building teams, writing a sales, marketing and financial plan, understanding the mind of investors, pitching for funding and launching a business. The primary objective is to share knowledge but a deeper interest is to **encourage and inspire the creation of new startups by new innovators**.

# Silicon Valley – *Californiaitus*

- October 1, 1891 – Stanford is founded to produce “useful” and “cultured” graduates.
- Foundation(s)
  - Unique university, geography, innovation and management culture, no traditions and structure, ...
- Entrepreneurial culture from products, to org structure, to compensation, to financing.
- Links to military (1940-1960 ...) – cost plus contracts -
  - HP, Varian, ...
- Agglomeration (everything nearby)
- Professional Venture Capital
  - Draper (1959). Arthur Rock
- Diversity

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# Entrepreneurship

# What is entrepreneurship

**The relentless and creative pursuit of opportunities with resources that you do not completely control.**





What is a Silicon Valley Startup?

# What

- Scalable
- Fundable (investors can get big returns 500x +)
- Technology based (preferably)
- Invents, Redefines or reinvents something
- Exit is possible



# It Looks Like ...

This



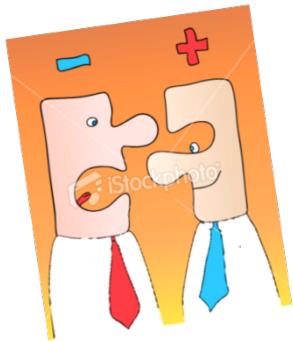
Has needs like this





# ... and functions like this

## One Word – Teamwork

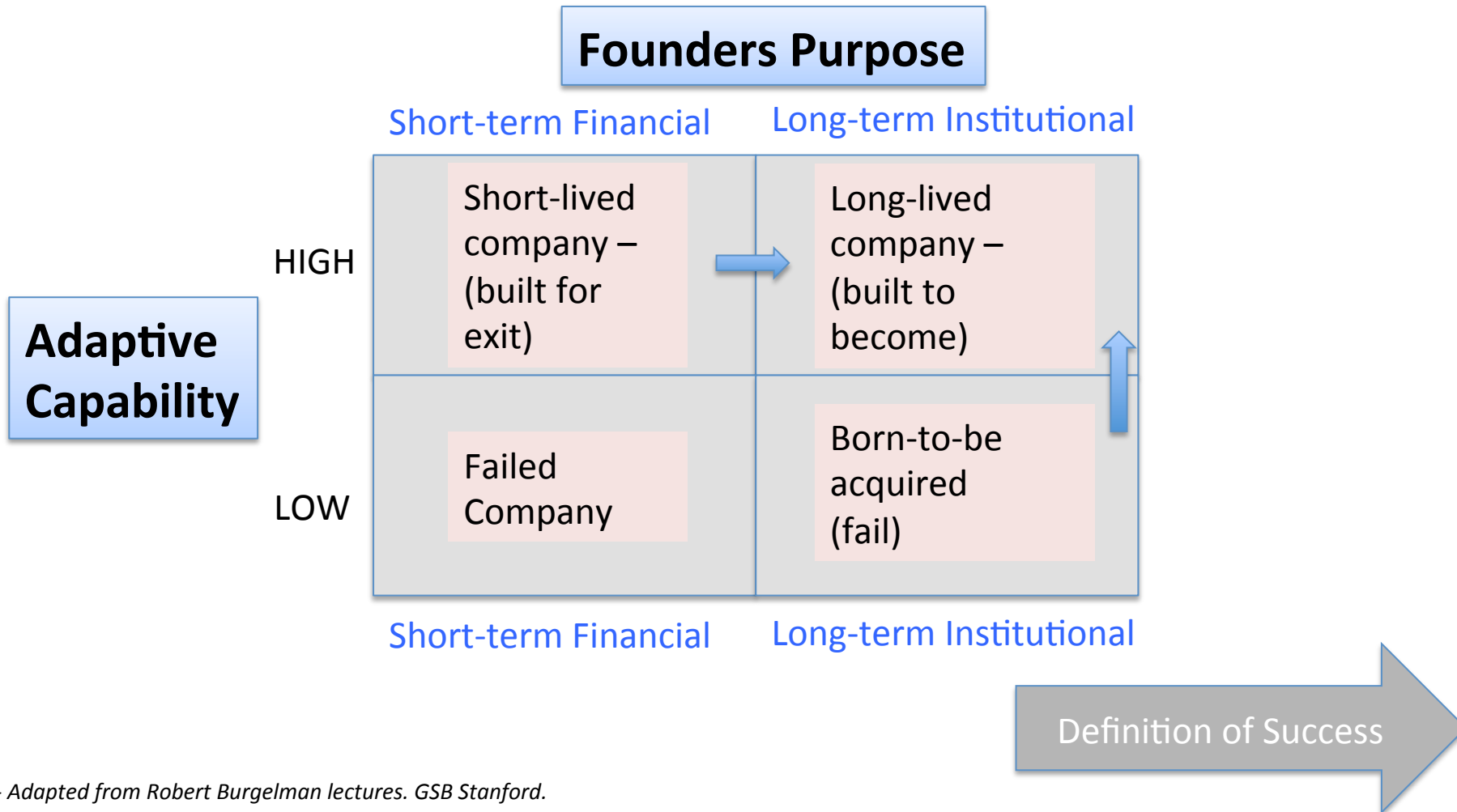


- $1+1 = 3$
- Not a zero sum game

- Juggle and Run (Perform)
- Talk and sing (Rap)
- Make music on the fly (Jazz)

Teamwork – *doing exactly what you are told as there is only one boss in a startup*

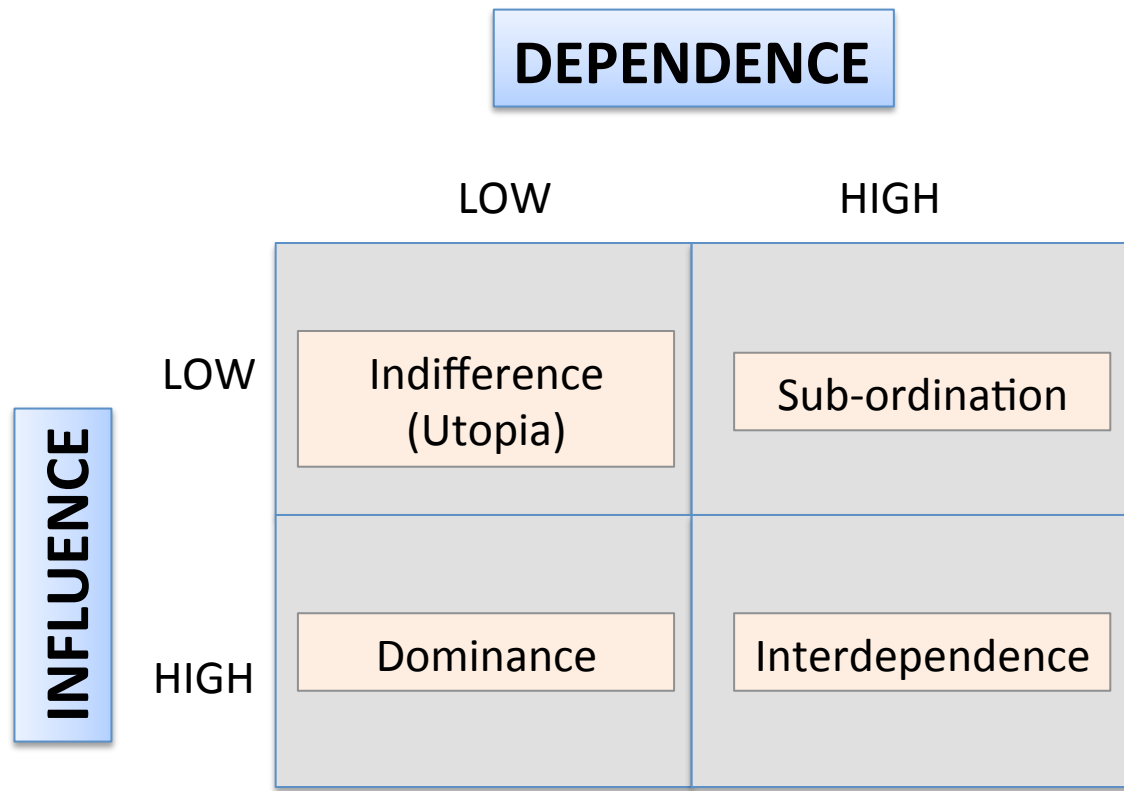
# A Typology of Company Founders



# Defining Success

Is knowing what you want – ALWAYS  
And being Relevant – OFTEN

Building a Team



# Why do it? [ Is it about Dominance?]

perhaps

Independence

Every success is possible.  
What you cant do,  
others could do for  
you if you could  
influence them ...

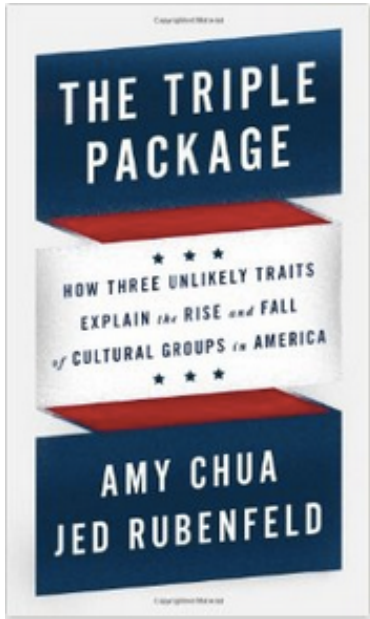
Right?

Is knowing what you want – ALWAYS  
And being Relevant – OFTEN

## DEPENDENCE

		LOW	HIGH
INFLUENCE	LOW	Indifference (Utopia)	Subordination
	HIGH	Dominance	Interdependence

# Triple Package Study



- Superiority complex
- Insecurity,
- impulse control

Is it about inadequacy?

# What are the Pillars

- Developing the mindset
  - Getting to 'Yes'
- Building a founding team
- Identifying and dissecting an opportunity
- Building the narrative and numbers
- Pitching the story
- Understanding the investor mindset
  - Getting funded
- Knowing the variables
  - Strategy
  - Team
  - Culture
  - Innovation
  - Finance
- Am I an innovator/entrepreneur?
- Repeat



Getting to "Yes"

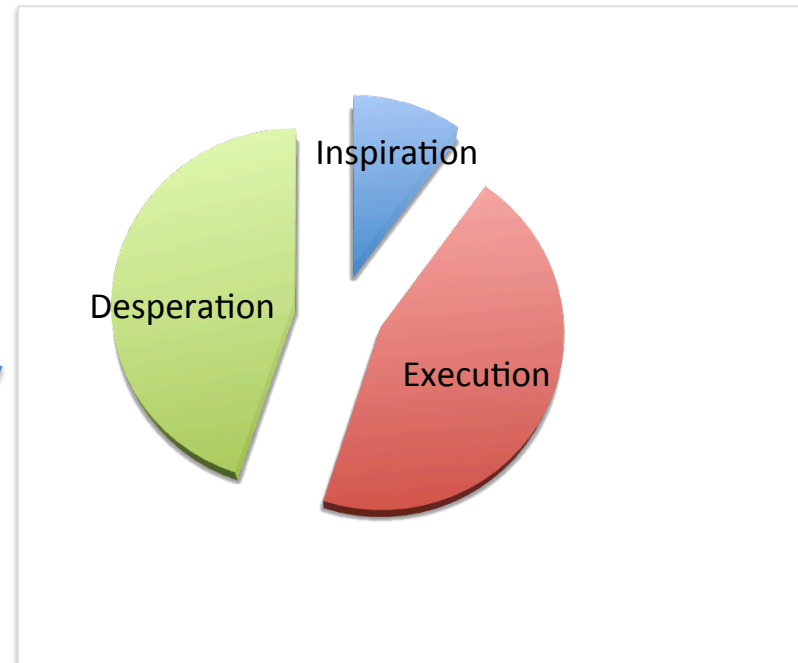
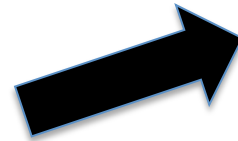
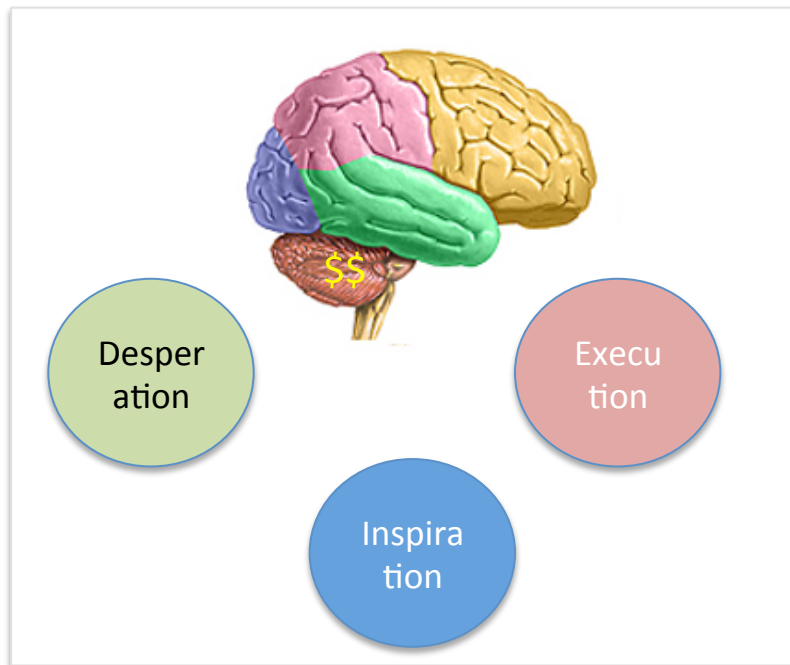
# Getting to YES

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- To start the entrepreneurial journey, “getting to YES” is the first step
- Overcoming your own fear becomes the biggest obstacle to “... yes” - It stems from -
  - Fear of the ‘unknown’
  - Fear of failure, lack of conviction, inability to sell and persuade others, ... etc.

# Getting to “Yes”

- Ultimately (this is what it takes)
  - **Desperation** (perhaps a sense of inadequacy)
  - **Inspiration**
  - **Execution** (perspiration, hard work)





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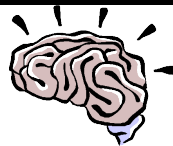
Building an entrepreneurial team  
**The Team**

# Team

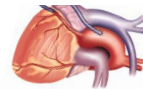
- You
- Co-founders
- Family
- Friends
- Partners
- Angels
- FoF's
- Hires
- Advisors
- Consultants
- Moonlighters
- VC's
- ...



Scarecrow



Tin Man



Dorothy

Lion

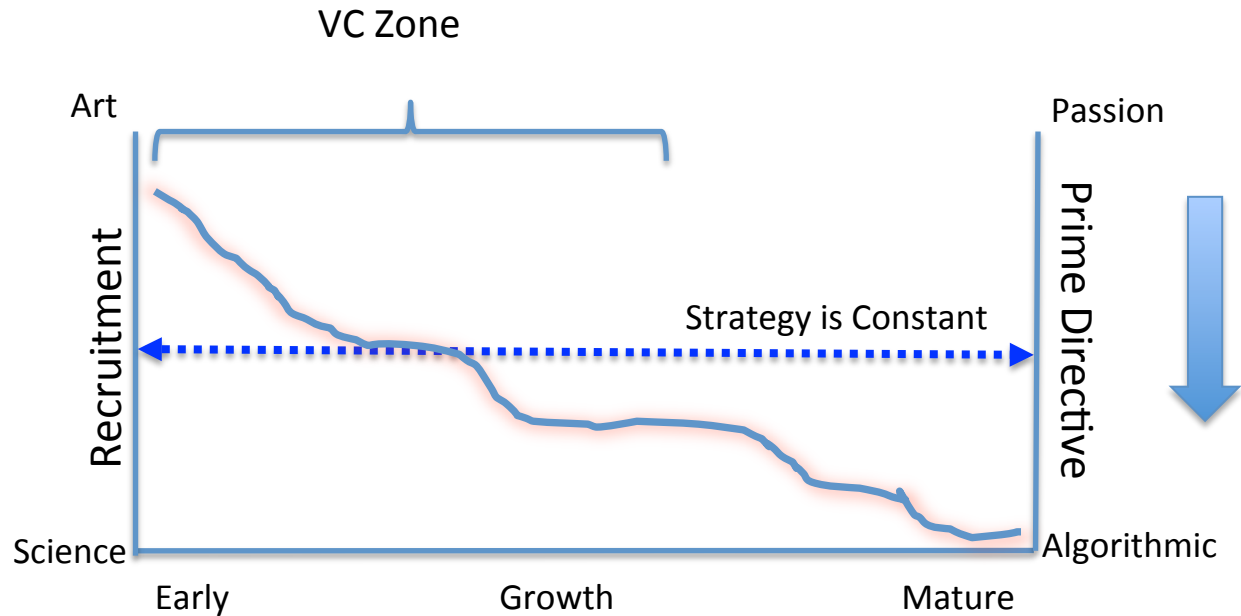


# Methods are different

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- Mature company
  - Operations and Execution ability. Hire for function
- VC Funded
  - Objective. Recruit for accelerating results
- Bootstrapped
  - Subjective. Recruit for cash flow
- Pre Funding
  - Emotional. Self reinforcement

# It is Both an Art and Science



It is an art and also  
a science

## Before you hire or pitch

- Learn the art of story telling.
- Learn to project a “strawman” and align folks around it.

# Understand what motivates people?

**MALCOLM GLADWELL**

1963 -

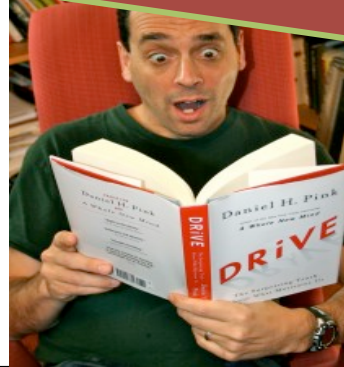


**Books:**  
*Tipping Point*  
*Blink*  
*Outliers*



**Dan Pink**

1964 -



**Books:**  
*Drive*

→ Fair balance between Effort and Reward

→ Complexity

→ Autonomy

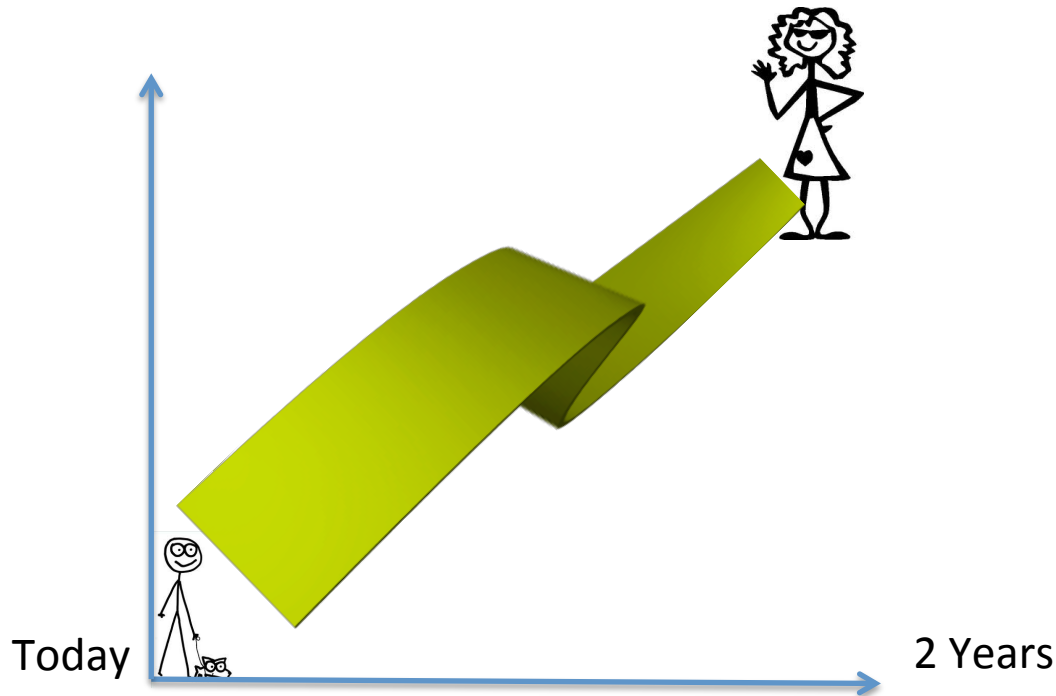
→ Autonomy

→ Mastery

→ Purpose

# Recognize deep motivators

- 2 year rule. People see a 2 year horizon as a safety net.
  - How do you change the present?



# Recognize Body Language



1. What is said 7%
2. Tone used 38%
3. Body Language 55%



# Resume Dissection – My Lessons

- **Education**
  - Overrated (often)
- **Experience (X Factor)**
  - Focus on where the person started. Measure inventiveness from life experiences, Survival instinct
- **Entropy (Chaos)**
  - Handling of intrinsic and extrinsic chaos
- **Ego (PQ)**
  - Pride Quotient (PQ). It underlies pursuit of excellence
- **EQ, Ecstasy and Eros (Attitude)**
  - Collaboration index / CI is a f(attitude, self-ignition, ...)
- **Embrace**
  - Diversity in ideas, gender, thinking, etc.

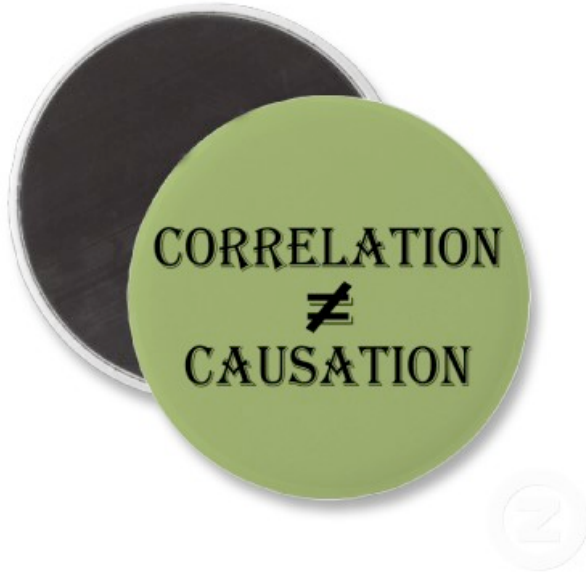
Experience is the name everyone gives to their mistakes – Oscar Wilde



# Kawasaki on Recruiting



Guy Kawasaki was rejected by GSB and is a law school dropout




## Use all your tools:

- Vision
- Team
- BOD, Advisors, Investors
- Resume building potential

**Interpret the Lies**  
**Ignore the Irrelevant**

**Ignore the lack of a perfect/relevant background and presence of it too. What is in between matters.**

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# Identifying and Dissecting Opportunities

# Key questions to ask and answer

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- Is there an unmet need?
- Is the market size big enough to be interesting?
- Is the business model scalable?
- Is it competitively differentiated?
- Why us?
- Why now?

# Your Lens – to dissect any business

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- Unmet Need
- Target Market
- Market Dynamics and Competition
- Value Prop and Competitive landscape
- Product/Service Mechanics
- Pricing and Unit Economics
- Go to Market Strategy
- Team Structure



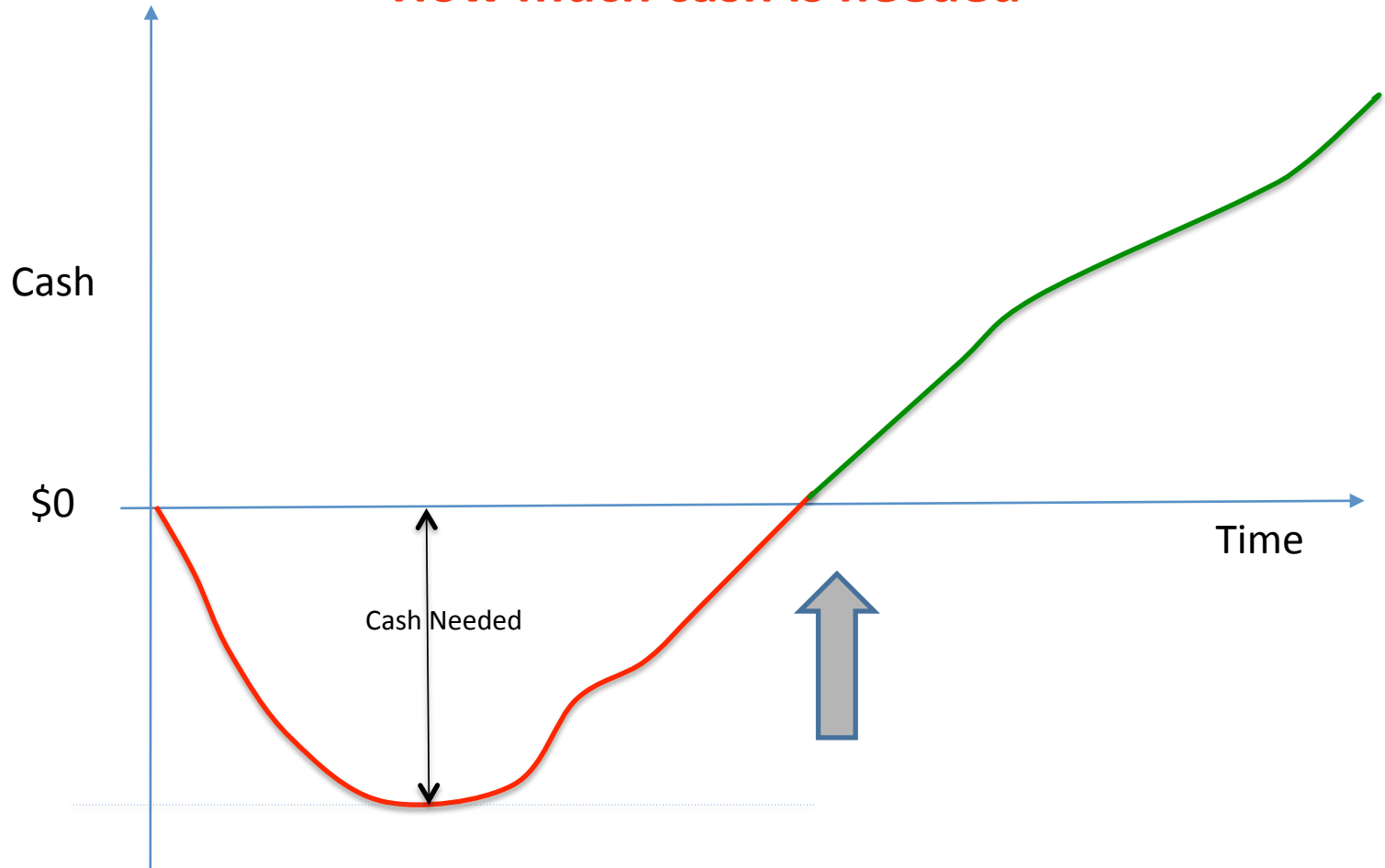
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Pictures that you must be able to make.

Each picture requires days and weeks of work.

# Key pictures: Cash Flow

“How much cash is needed”



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# What is a Business Model

It is how you make money

# Business Models

## Two Tests

- Narrative
  - That is compelling
- Numbers
  - That make sense (\$\$)

## Components

- Customer Value Proposition
- Technology and Ops Management
- Go-To-Market Plan
- Profit Formula (Unit Economics)

- **Peter Drucker** -

A good business model answers these two questions:

1. Who is the customer?
2. And what does the customer value?



# Summary: The Process of Starting Up

1. Identify Opportunity
2. Research to validate PPP (Proposition/Price/Position)
3. Construct business model
4. How to get to market (Go To Market Strategy)
5. Sales & customer acquisition plans
6. Attract talent and build a team
7. IP and legal issues
8. Raise Funds
9. Financial plan
10. Go to investors

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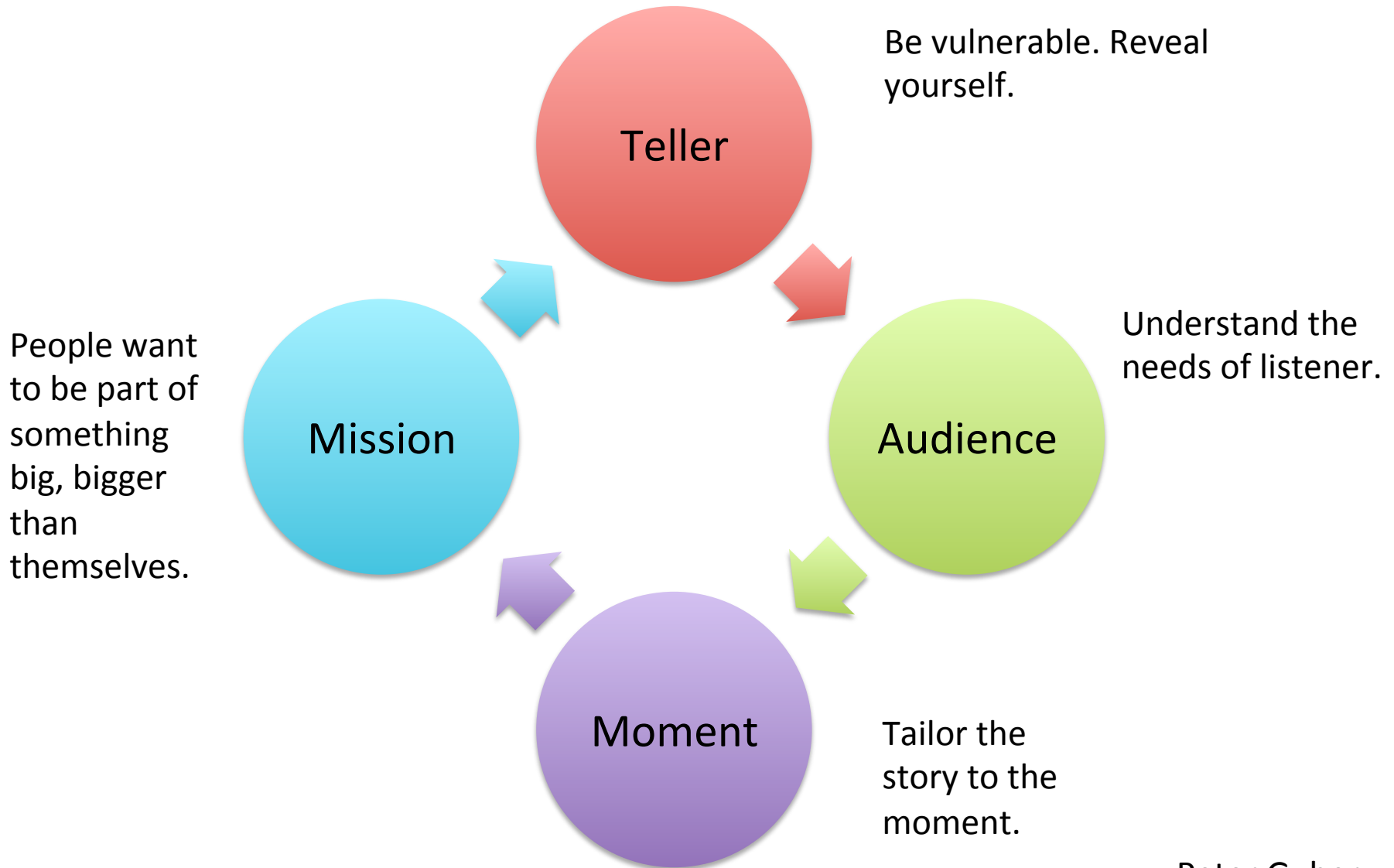
Pitching your story –

# Be a Storyteller

**EXPERT**  
insight



# Four Truths of the Storyteller



# Telling Your Story

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- It is not about the Powerpoint
- Medium (You) are the message
- Use props
- Be crisp and clear
  - Brevity, Levity and Repetition
- Explain yourself in first 30 seconds (slide zero)
- Most important word “Why?”
- Say it with conviction
- 10/20/30 – slides/minutes/font

# Storytelling moves the world ...

Look at the persuasive leaders. Each one, a storyteller ...



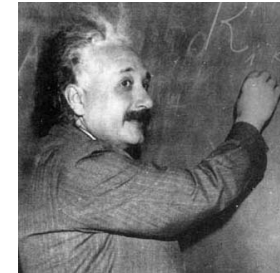
Someone's sitting in the shade today because someone **planted a tree a long time ago.**



I think death is the most wonderful invention of life. It **purges the system of these old models that are obsolete.** (Playboy 1985)



Republicans believe every day is the Fourth of July, but the Democrats believe every day is April 15.



Gravitation is not responsible for people **falling** in love.



The gem cannot be polished without friction, nor man perfected **without trials.**

VC quote – it is true that the way an idea is pitched can change valuation 10x

# Toolkit (contd.)

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- Practice beforehand
- Know the Setup
- Know your audience
- Start with a grabber
- Relax and visualize your success
- Speak with intent
- Pause for thought
- Don't apologize
- Keep practicing

# Remember

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- People think associatively, metaphorically and casually NOT statistically. We must speak metaphorically and cause associations in listener. (*Nassim Taleb, Black Swan and Antifragility*)

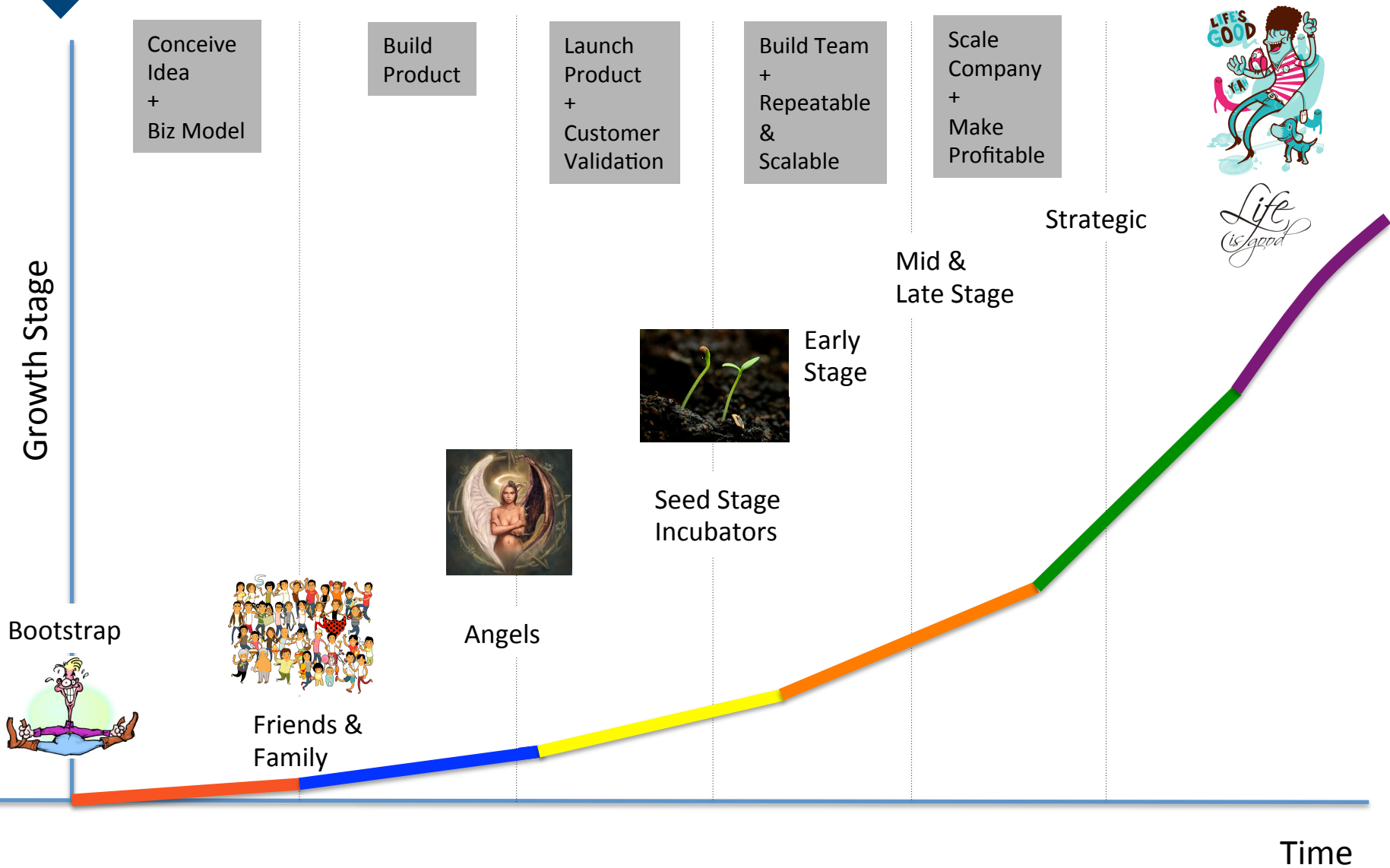




# Demystifying Investors

Understand how VCs view entrepreneurs &  
how the process of seeking investment works

# Six Stages of Growth (Jargon vs Reality)



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# Exits

Private Equity, M&A Process

# Exits – M&A

One man's buying is another man's selling -

## Why Sell

- Need for Strong Sales & Marketing Channels
- Need for Additional Technologies
- Need for Investor Liquidity/  
Near-Term IPO Unlikely
- Lack of Funding
- Economic Considerations Before Funding Round

## Why Acquire

- Growth/Expansion
- Time-to-Market
- Integration
- Outsourced R&D
- Leverage Technology/  
Synergies
- Defensive Reason

# Conclusion

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- Silicon Valley Innovation system is a function of
  - Agglomeration
    - Strategy, Culture, Finance .... Innovation
      - Strategy – Compass
      - Culture – Thermostat
      - Finance – Oxygen
      - Innovation - Hygiene
  - Diversity
  - Tolerance of failure

# Topic 2

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1. The innovation system at Silicon Valley (using the Silicon Valley startup mindset)
2. Frameworks for analysis and learning to see beyond your own nose –

# What experts say

- Five skills of disruptive innovators:
  - Questioning
  - Observing
  - Networking
  - Experimenting
  - Associational thinking

*Innovation*

<http://www.youtube.com/watch?v=CHmSs7QOSgM>



# Some tidbits ...

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- "We do not innovate around products, but around a flow or well-being experiences...Our department of innovation is made up of almost 300 people here in Brazil...biologists, pharmacists, engineers, sociologists, psychologists.. We launch more than 100 new products a year." - *Victor Fernandes*
- "The most important thing we do to encourage innovation is give people the freedom to fail...We really spend a lot of time upfront with our audiences...to really try and draw out from that what it is they would like to play...And if we disappoint their expectation, I think we are a very good learning organization, really digging deep into understanding why it didn't work." - *Robert Kotick, Activision Blizzard*



# My view

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- The rewarded behavior is the culture of a company –
  - If innovation is rewarded, innovation will happen.
    - This means a failure or two or three have to be tolerated
    - Here are a few ?? From Apple ....

# An Apple failure



And then some more ...





# Innovation

# Source of innovation

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- Trial and error
- Intuition
- Connecting dots
- Failure
- Desperation
- Scarcity of resources
- Visionary leader
- Listening

# What disrupts

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- Significant customer dissatisfaction with status quo
- New technology or business model that provides significant Economic Value Add
- Entry of an innovator
- Globalization
- Regulation, political, social change
- Exit of a large player

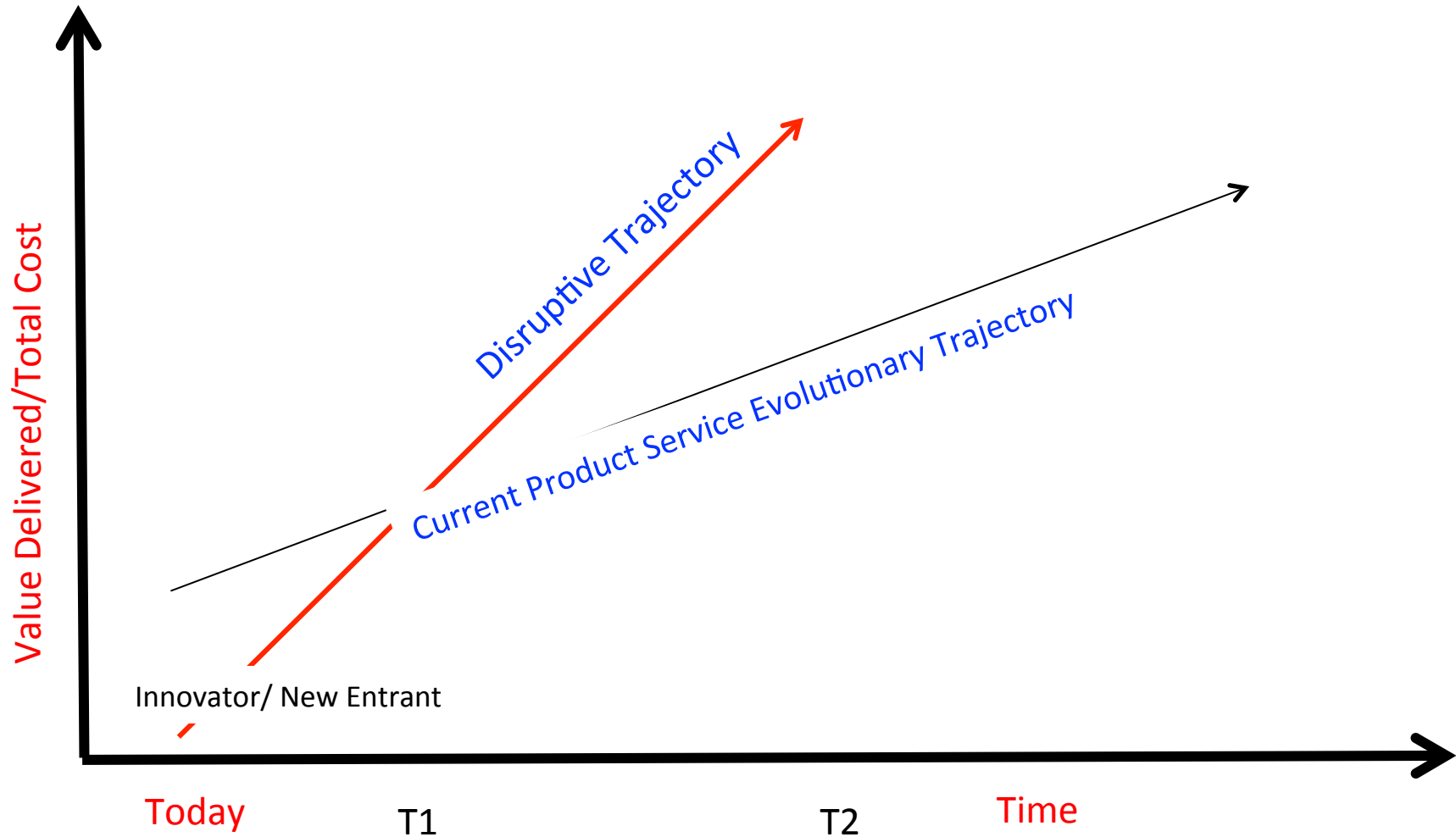
# Impact of disruption

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- Mobilizes entrepreneurial excitement
  - Venture funding accelerates
- Paralyzes incumbents serving the segment.

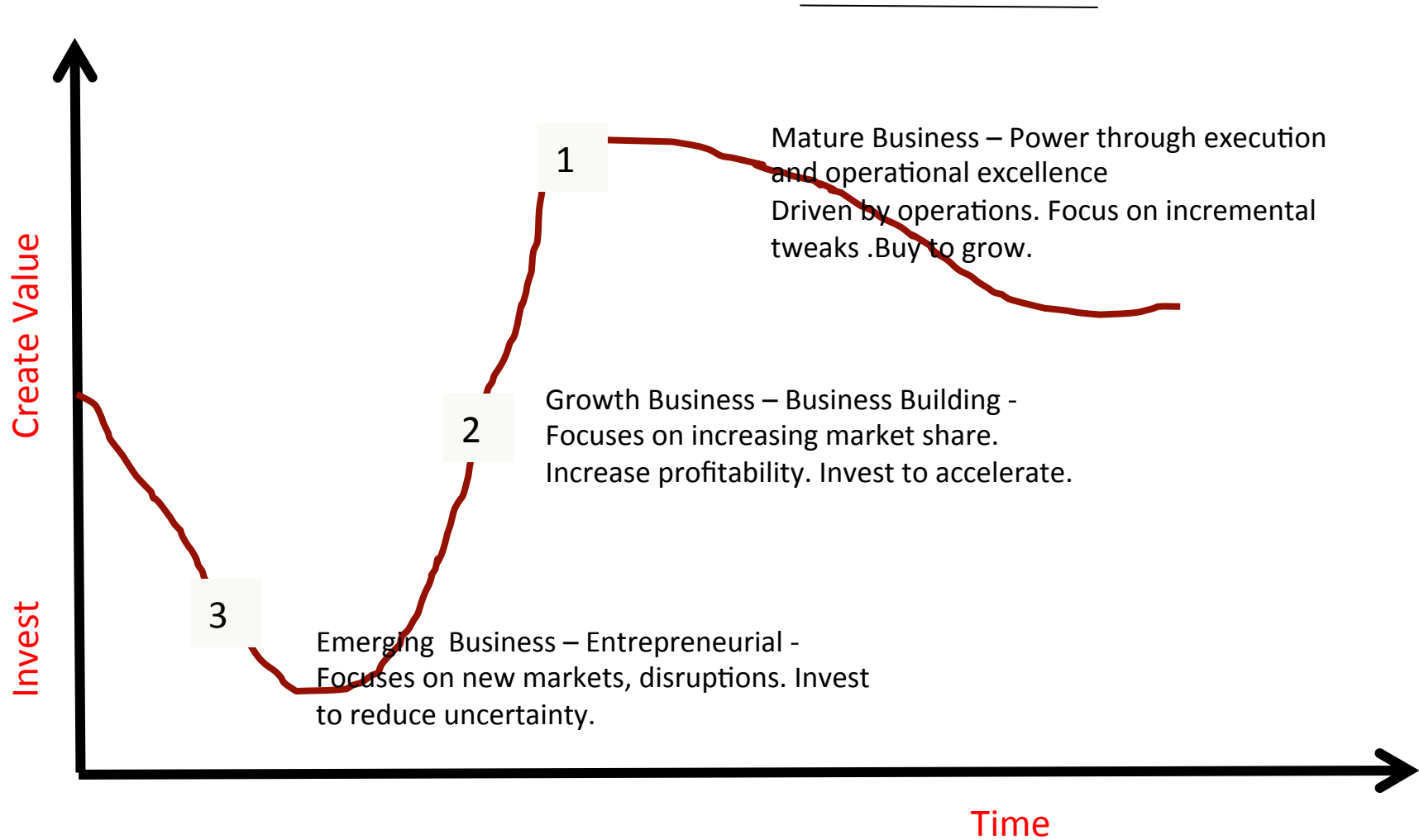
# Innovators Dilemma

Clay Christensen – Innovators Dilemma





# Business Lifecycle



## Top 10 reasons **TO NOT BE** an Entrepreneur

- 10. Your resume is great
- 9. You have a great idea
- 8. You have an MBA
- 7. You are afraid to fail
- 6. You dislike sales
- 5. You bring order to chaos
- 4. You yearn for logic and sequence
- 3. You know some things are impossible.
- 2. You can land a VC investor

IF any 4 are



Then



**1- You think you can change the world**

## Top 10 reasons **TO BE** an Entrepreneur

- 10. Your resume is average
- 9. Your friend has great ideas
- 8. You can recruit MBA's
- 7. You are not afraid to fail
- 6. Selling is second nature to you
- 5. You can exploit chaos
- 4. You love stories. Love linking ideas to people to stories
- 3. When you hear impossible you translate it - **I'm possible**
- 2. You can land a paying customer

IF any 7 are



Then



**1 - You are not afraid to adapt as realities change.**

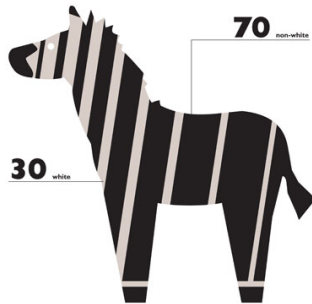


Have a world view

# What is the world like?

If the world were a village of 100 people

## SKIN COLOUR



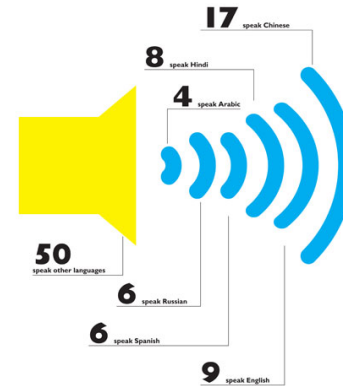
If the world were a village of 100 people

## NATIONALITY



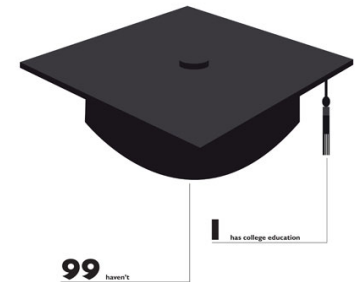
If the world were a village of 100 people

## LANGUAGE



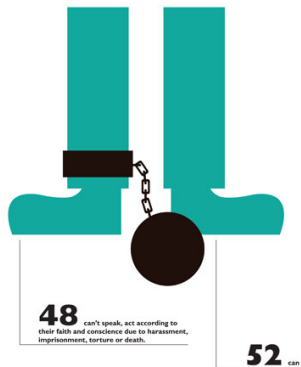
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## EDUCATION



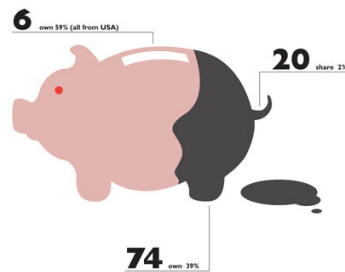
If the world were a village of 100 people

## FREEDOM



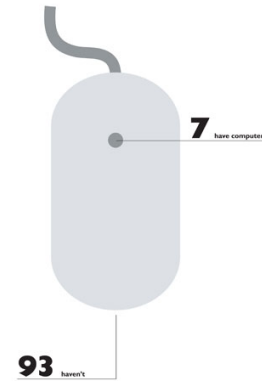
If the world were a village of 100 people

## MONEY



If the world were a village of 100 people

## COMPUTERS



Huge opportunity can only be tapped if we think in a global context ... like cultures, languages, ... etc. How to make money in this complex world?

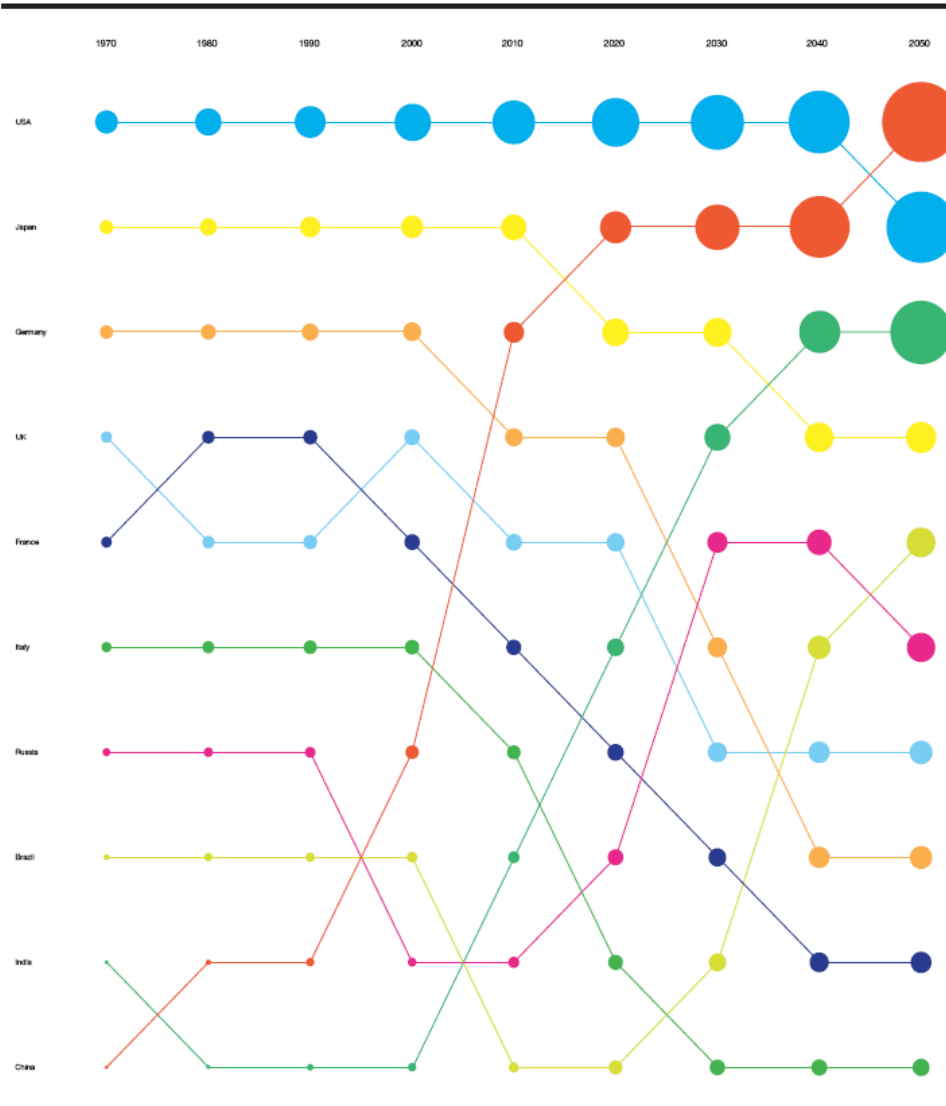
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Understand trends

# The Changing Face of Our World Economy 1970 - 2050

This map depicts the changing face of the world economy. Each circle represents the size of a nation's economy at two-year intervals from 1970 to 2050. In 1970 the global six industrial nations (USA, Japan, UK, France, Germany, Italy) had the largest economies on the planet. The late 20th and early 21st century saw the emergence of the modern economic superpowers (China, India, Brazil, Russia, UK, France, Germany, Italy, Japan, USA) and the BRICs (Brazil, Russia, India, China) and other emerging economies will challenge the United States and the rest of the G6. With the Economic landscape set to alter over the next 50 years that has in the past 30 our planet will see tectonic changes and face new profound challenges, particularly, socially and environmentally.

The future is looking like this today.



We must prepare to win in this future and that is how we will change our present ...

A new class of entrepreneurs is needed ...



Real GDP (GDP) (Gross Domestic Product) (GDP)  
Real National GDP (1970 - 2050)  
Source: World Bank World Development Indicators, International  
Financial Statistics & GDP (GDP) (GDP) (GDP)  
Forecasting (GDP) (GDP) (GDP)  
Forecasting (GDP) (GDP) (GDP)

# In the Organization



Become Ambidextrous  
**Innovate** and **Execute**



# The new world

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$n\sqrt{\$ \$}$

Pivoting<sup>n</sup>

**Crowdfunding**

---

## Popular Sectors

**HW is dead?** (solar, battery, wind, Semiconductor, comms)

**Big Data as Driver!**

Security, Bandwidth,  
Social, Cloud storage

**SaaS, PaaS, IaaS rules**

Mobile, apps, ...

**Age of Robotics**

Industrial, Consumer,  
Healthcare, Military



For any business  
Answer these ...

1. **Unmet Need**
2. **Growing market**
3. **Competitive differentiation**
4. **Scalable**
5. **Why me**
6. **Why now**



Be Ambidextrous  
**Innovate and Execute**

Adapt or perish

# Pivoting

Stretch Dollars

1. **Strategy is Compass or Roadmap**
2. **Innovation is Hygiene**
3. **Culture is Thermostat**
4. **Finance is Oxygen**



# Thank You

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“ The applause of a single human being is of great consequence. ”  
— Samuel Johnson

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# Summary

- **F**ounder mindset
  - Short-term or long-term. High or low adaptability
- **S**uccess definition
  - Know what you want. Stay relevant. Know what you don't know
- **T**eam is the cement
  - It is not just you but complementary collaborators with aligned focus
- **S**trategy is the compass
  - It is NOT what you say. It is what you do. Action with consequence
- **C**ulture is the control system
  - It is the thermostat
- **I**nnovation is the hygiene
  - It is what determines *fitness*
- **F**inance is the oxygen
  - It is what keeps you alive (possibly unfit)



When you are lost?