

Democratization of Startups

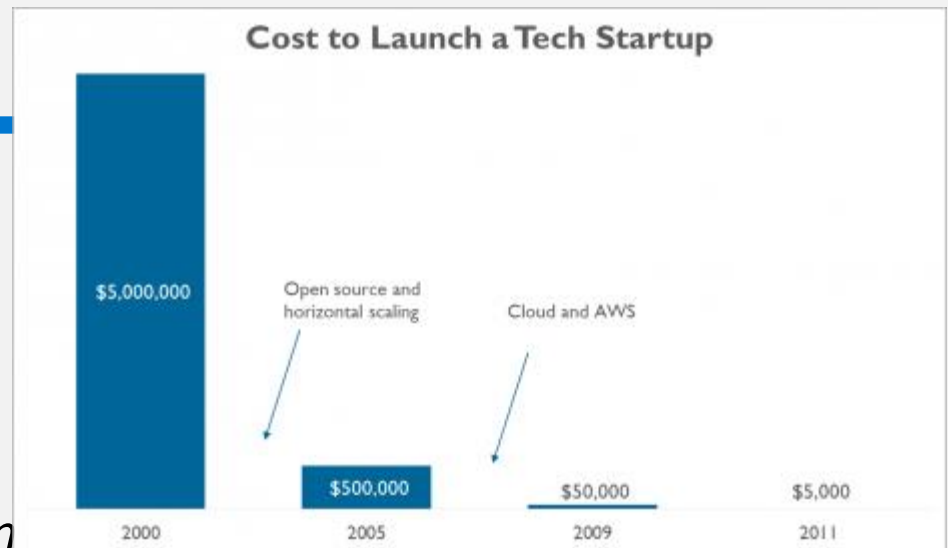
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The Cost to Launch is approaching zero.

- This is particularly true for internet and communication technology startups.
- It is not as true for Biotech start ups. These can be quite expensive.
- Back in the dot-com boom era of the 90's companies often needed to raise millions of dollars to buy equipment to get started.
- Today, with more and more web based services, the cost to launch can be quite low.
 - Google provides a platform to attract users
 - PayPal will allow the startup to collect payments and make payments without expensive financial systems.
 - Amazon Web Services (AWS), Google, Microsoft, etc. can provide cloud based hosting for your services.
 - There is a long list of services to help you build an e-commerce store.

- As UpFront put it:
“It is now cheaper than ever to build a startup and what that means is there’s just going to be more of them. They are producing at a prodigious rate right now. What took \$5 million in



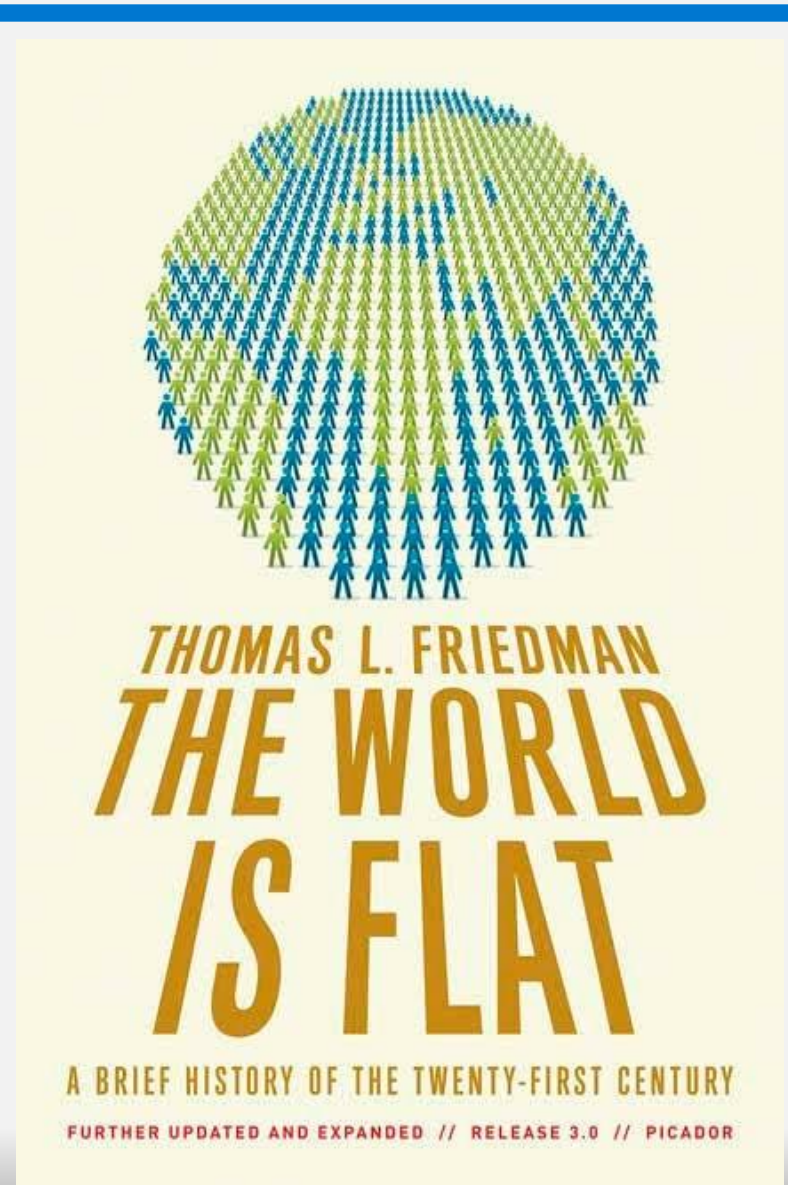
and this was a great set of data put together by our friends at Upfront Ventures. That’s probably coming down even further, right? When you look at Amazon Web Services and Microsoft Azure and Google, all trying to make the cost of hosting and things even cheaper. I can see it for us, as an emerging tech company ourselves, benefiting from this. The cost of launching a tech startup is going down and that’s manifesting itself in early stage activity.” -

– <http://bankinnovation.net/2015/10/is-the-cost-of-fintech-startups-really-falling/>

- Others disagree. Ben Brown of First Annapolis, another consultancy, claims that Bill Gurley, a general partner at Benchmark Capital, the venture capital firm, has said that the cost of launching a startup “has largely stayed the same, just shifted from servers to salaries.”

The World is Flat

- Thomas Friedman wrote a book that has transformed the way people think about our global world.
- Entrepreneurial opportunities are now global in some many different ways. We will devote one week of this course to these effects.
- <http://www.jackmwilson.net/Entrepreneurship/Principles/Globalization.pdf>



Friedman: Ten “Flatteners” -leveling the global playing field:

#1: Collapse of the Berlin Wall – 11/9/89:

Friedman called the flattener, "When the walls came down, and the windows came up." The event not only symbolized the end of the Cold War, it allowed people from the other side of the wall to join the economic mainstream. "11/9/89" is a discussion about the Berlin Wall coming down, the "fall" of communism, and the impact that Windows powered PCs (personal computers) had on the ability of individuals to create their own content and connect to one another. At that point, the basic platform for the revolution to follow was created: IBM PC, Windows, a standardized graphical interface for word processing, dial-up modems, a standardized tool for communication, and a global **phone network**.

#2: Netscape – 8/9/95: The Internet becomes accessible to all

Netscape went public at the price of \$28. Netscape and the Web broadened the audience for the Internet from its roots as a communications medium used primarily by "early adopters and geeks" to something that made the Internet accessible to everyone from five-year-olds to ninety-five-year-olds. The digitization that took place meant that everyday occurrences such as words, files, films, music, and pictures could be accessed and manipulated on a computer screen by all people across the world.

#3: Workflow software: Friedman's catch-all for the standards and technologies that allowed work to flow.

The ability of machines to talk to other machines with no humans involved, as stated by Friedman. Friedman believes these first three forces have become a "crude foundation of a whole new global platform for collaboration." There was an emergence of software protocols (SMTP – simple mail transfer protocol; HTML – the language that enabled anyone to design and publish documents that could be transmitted to and read on any computer anywhere) Standards on Standards. This is what Friedman called the "Genesis moment of the flat world." The net result "is that people can work with other people on more stuff than ever before." This created a global platform for multiple forms of collaboration. The next six flatteners sprung from this platform.

#4: Uploading: Communities uploading and collaborating on online projects.

Examples include open source software, blogs, and Wikipedia. Friedman considers the phenomenon "the most disruptive force of all."

#5: Outsourcing:

Friedman argues that outsourcing has allowed companies to split service and manufacturing activities into components which can be subcontracted and performed in the most efficient, cost-effective way. This process became easier with the mass distribution of fiber optic cables during the introduction of the World Wide Web.

#6: Offshoring:

The internal relocation of a company's manufacturing or other processes to a foreign land to take advantage of less costly operations there. China's entrance in the WTO (World Trade Organization) allowed for greater competition in the playing field. Now countries such as Malaysia, Mexico, Brazil must compete against China and each other to have businesses offshore to them.

#7: Supply-chaining: Friedman compares the modern retail supply chain to a river.

points to Wal-Mart as the best example of a company using technology to streamline item sales, distribution, and shipping.

#8: Insourcing:

Friedman uses UPS as a prime example for insourcing, in which the company's employees perform services – beyond shipping – for another company. For example, UPS **repairs Toshiba computers on behalf of Toshiba. The work is done at the UPS hub, by UPS employees.**

#9: Informing: Google and other search engines and Wikipedia are the prime example.

"Never before in the history of the planet have so many people – on their own – had the ability to find so much information about so many things and about so many other people," writes Friedman. The growth of search engines is tremendous; for example, Friedman states that Google is "now processing roughly one billion searches per day, up from 150 million just three years ago."

#10: "The Steroids": Wireless, Voice over Internet, and file sharing.

Personal digital devices like mobile phones, iPods, personal digital assistants, instant messaging, and voice over Internet Protocol (VoIP). Digital, Mobile, Personal and Virtual – all analog content and processes (from entertainment to photography to word processing) can be digitized and therefore shaped, manipulated and transmitted; virtual – these processes can be done at high speed with total ease; mobile – can be done anywhere, anytime by anyone; and personal – can be done by you.

Give Peace a Chance?

- Friedman proposes his “Dell Theory of Conflict Prevention”
 - No two countries that are both part of a major global supply chain, like Dell’s, will ever fight a war against each other as long as they are both part of the same global supply chain.” (The World is Flat)
- In an earlier book, he had suggested the “Golden Arches Theory” of World Peace.
 - no two nations with a McDonald's franchise had ever gone to war with one another (The Lexus and the Olive Tree)
- He cautioned that this is not a guarantee that it will not happen, but it does illustrate the potential harm that can come to a country that is in a conflict with an interconnected partner country.
- Today some look at the interconnections between China and the US and hope that this will encourage both to moderate their behavior toward the other.
 - China holds \$1.2237 trillion in US debt in February 2015.
 - (indirect holdings are even more)
 - Japan holds \$1.2244 trillion
 - <http://money.cnn.com/2015/04/15/news/economy/japan-china-us-debt-treasury/>

The Path is Known.

- In the last Chapter we saw that there are (at least) three models of entrepreneurship that can help anyone who is interested in starting a new venture.
 - The Causal/Traditional Model
 - Effectual Entrepreneurship
 - The Lean Launchpad
- We encourage potential entrepreneurs to understand each of these. The Lean Launchpad has come to dominate most approaches, but one is likely to encounter Business Plan Competitions and other programs that draw on the other models.

Access to Capital

- We will consider this in more detail in a future week.
 - <http://www.jackmwilson.net/Entrepreneurship/Principles/FinancingOrFunding.pdf>
- There are many sources of capital that new ventures might be able to draw upon:
 - Venture Capital
 - Angel Investors
 - Accelerator Programs
 - Mass Challenge: <http://boston.masschallenge.org/>
 - eForAll: <https://eforall.org/>
 - Crowdfunding
 - Kickstarter: <http://www.jackmwilson.net/Entrepreneurship/Cases/Case-KickStarter.pdf>
- Sean Wise and Brad Feld point out that “*The lack of barriers to entry allows terrible idea to be pursued.*”