STARTUP STRATEGIZING
(Spring 2024)

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Office Hours: By appointment - Email to coordinate
Dates/Location: March 25 - May 25, 2024
Canvas URL: https://canvas.TBA
Academic Coord.: TBA

COURSE DESCRIPTION

Overview: Entrepreneurship is economically vital and personally fulfilling — but success is elusive. Why? This course focuses on one explanation — success is not just the outcome of finding a great opportunity but also what you do with it. The startup’s strategy is the answer, as a growing research literature has documented. While developing a good business plan and pitch deck are important, as are practices such as experimentation and pivoting, they complement, not substitute, a well-founded strategy. Startup Strategizing will help you develop superior strategies for the ventures you found or join, and evaluate the strategies of startups you might invest in. Building on your work in the Strategy core course and complementing related electives (e.g., Ecosystems Design, Design Thinking, Social Enterprise, Entrepreneurial Thinking), we will develop a deep understanding of the core strategic choices facing entrepreneurs and a conceptual framework for how to address them.

Learning Objectives: The foundational premise of the course is that a startup’s strategy is a theory about how a firm might profit by solving a valuable problem — which I call the Problem of Value (PoV). The PoV is one that has yet to be solved by the market or one that might be solved more effectively. It is tempting to believe that the PoV is always customer-focused (e.g., untapped customer needs). While there must be customers for whom the startup will create value (i.e., product-market fit), the PoV is often elsewhere, concealed in the industry (e.g., suppliers, complementors), technologies, or institutional environments (e.g., regulations, infrastructure). Identifying and solving the PoV determines how much value is created and how much of it can be captured by the startup. Thus, a well-developed startup strategy is a theory that identifies, defines, and argues for the existence of the PoV and develops a compelling logic underlying a set of actions that solve it. The startup’s strategy informs other critical questions, such as: How do you compete? Who should you choose as customers? What technology should you deploy?

Startups’ strategies are different from those of established firms. On the one hand, startups don’t begin with committed customers, famous brands, deep supply chains, and established distribution channels. While these “don’t haves” are limitations, they are also freedoms because they increase the range of possibilities for strategy-making. On the other hand, startups are often built in domains of high uncertainty. When inspiration strikes, and you jot down notes about your venture on a napkin, you are (and should be) uncertain about its prospects. The conceptual framework we develop is not simply the answer to the strategy, but it is also a process. A well-developed startup strategy helps you effectively learn about the merits of your choices, chances of success, and the value your firm might create and capture. This is why the course name includes the word strategizing rather than strategy — consider
strategizing as a learning process through which you gather information to understand the startup’s strategy, evolve it, and launch or abandon it.

**Who Should Take this Course?** If you are working on a startup or plan to do so, this course will enable you to better evaluate your opportunity and develop a strategy to exploit it. If you are interested in venture capital or private equity, this course will enhance your ability to make investment decisions. But the course is designed not only for those who want to found or join a startup today — it is also for *future founders*, those who will take jobs today in order to potentially found a startup after further developing industry-specific knowledge, social capital, and managerial capabilities.

**Connection to Other Tuck Courses:** This course builds on the fundamental strategic logic you developed in the Tuck core Strategy course. Of particular relevance are the concepts of industry structure, value net, competitive advantage, and disruption. The Startup Strategizing course also complements many electives in strategy and entrepreneurship. Of particular relevance are courses such as (i) Ecosystems Design focusing on how value creation and capture depends on aligning multiple parties, (ii) Design Thinking focusing on methods and processes for developing innovative strategies and business models, (iii) Social Enterprise focusing on how new ventures can generate positive financial and social returns, and (iv) Entrepreneurial Thinking focusing on hypothesis-driven entrepreneurship.

**TEACHING PHILOSOPHY**

I teach via the case method — I ask questions and then guide the class discussion toward answers. My goal is to give you a toolkit for developing and evaluating startup strategy. I am motivated by something Einstein said: “A person doesn’t need to go to college to learn facts...The value of [an]... education is that it trains the mind to think.”¹ Yet, teaching entrepreneurship is challenging. Peter Thiel, a well-known entrepreneur and VC, has said: “How to teach people to do what hasn't been done is a great riddle.” I cannot teach you what to do in your startups — the space of decision-making in startups is huge and diverse — but I can teach you to think in a manner that will allow you to figure out how to do what hasn’t been done.

While I will use many cases in class — the role of cases in the course is *not* for you to gain expertise in those industries. Rather, each case provides a context to apply a conceptual framework to learn how to develop startup strategies — a case is a test-bed for developing understanding, analysis, debate, and discussion, not for learning about a firm or industry.

My approach demands deep student engagement and effort in class. At the same time, I believe that the classroom should be the domain of learning and joy. They are complements — learning is enhanced when the experience is enjoyable and interesting, and vice versa. I do my utmost to ensure that the classroom culture reflects these joint ideals. My goal is that you should never be able to forget the class experience, not just because of the extent and usefulness of the learning but also because of the joyfulness of the experience.

Finally, I am in the nascent phase of developing a book to go along with this course. Teaching and learning are fundamentally interrelated. I teach and learn simultaneously, and I would love to have you

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¹ [https://quoteinvestigator.com/2016/05/28/not-facts/](https://quoteinvestigator.com/2016/05/28/not-facts/)
join me in this adventure. We can all be entrepreneurs, as I was for over a decade many years ago, and I strongly believe that we can dramatically change the odds of success with better startup strategizing.

GROUND RULES & IDIOSYNCRASIES
I impose two ground rules with extreme intensity. First, I expect students to arrive in class on time. This demonstrates respect for others and symbolizes a commitment to learning. My rule is simple — if you cannot arrive on time for a class session, you should not come to that session. Of course, the usual exceptions apply for emergencies and instances that you arrange with me in advance. Second, absolutely no electronics are permitted during the class sessions. Learning in the class does not occur through good note-taking but rather through engagement, thinking, and debating. Think about it this way — if you cannot regularly arrive in class on time, or you cannot put aside your devices for 90 minutes, you should not take my class.

COURSE CONTENT
The course is structured around readings, lectures, case discussions, and a project divided into two deliverables in which you will apply and solidify your learnings. Each class session will either be an interactive lecture focusing on conceptual frameworks or a case discussion in which we apply the conceptual framework to deepen our understanding of how to use it to develop a startup strategy.

The course uses a combination of five elements described below. All materials are provided or linked on the course Canvas website.

Readings will introduce new concepts, frameworks, and tools.

Lectures will elaborate on and extend readings. Lectures will be interactive, so be prepared to ask and answer questions. Lectures are also rare.

Cases are descriptions of real-world business situations that provide opportunities to define and develop startup strategies. I don’t use cases so you can learn about the firms/industries, but rather, as test-beds for you to learn how to use the conceptual frameworks to develop startup strategies. Consequently, I select cases on the basis of what you can learn about how to develop startup strategies, not on the basis of whether they are old or new, boring or interesting. The cases I will use were often designed with a purpose other than startup strategy, but I selected them because they are useful for my learning objectives. I will provide (on Canvas) preparation instructions with each case that focus your attention on the relevant aspects (so you don’t have to waste time on ancillary material in the case). I will sometimes provide a set of questions that will guide your preparation. However, the questions I will offer you in advance will be minimalist — no one tells the entrepreneur what questions to ask of the world. It’s your job to figure out the questions. The fundamental direction for case preparation is straightforward: Understand and assess the startup strategy. What are the challenges and possibilities that you foresee? Are there alternative approaches you would recommend?

Class participation, in the form of attendance, preparation, and active participation, is required — not simply for grading but for effective learning. You cannot participate in class if you do not attend, so attendance is mandatory. We must all contribute insights from our various experiences and institutional
knowledge. If you are unprepared to discuss a case or will not attend a class, you must notify me in advance.

Your comments should reflect a depth of understanding indicative of thorough analysis and incorporation of readings and lecture material, and you should be prepared to articulate and defend your position when called on to do so. In considering class contribution, I think of a hierarchy of comments from least to most valuable. (i) Agreeing with someone else’s statement. (ii) Describing events in the case. (iii) Demonstrating an understanding of the situation/problem in the case. (iv) Explaining events in the case and recommending solutions based on relevant analysis. (v) Synthesizing events in the case with knowledge developed during the discussion, prior analysis, and from readings and lectures to develop a higher level of understanding and recommendations. Your contribution to class discussions will be evaluated immediately after each class. The overarching question I ask about participation is: If this person were not a member of the class, to what extent would the quality of discussion be diminished?

Project: The term project, across two deliverables, is designed to provide you with experience in using what you have learned in the course to develop well-grounded, insightful, and compelling startup strategies. The first deliverable is done in groups, and the second is done individually. The basis of the project is a firm your group will select — you will use this focal firm for both the first and second deliverables (changing is not permitted).

Using Pitchbook, select a startup currently backed by an accelerator/incubator, angel, or early VC stage. This will create a pool of thousands of startups from which your team can choose by narrowing down on other criteria (e.g., industry, technology) that may interest you. I am also open to projects based on startups not included in this listing. Focus on business-related problems, even in technically oriented new ventures. A firm may be seeking to solve some nearly insurmountable technical problem and would be well-positioned should it do so. But you are unlikely to be well positioned (at least from b-school course work) to speak to the technical challenges of developing a new battery chemistry or a new form of anti-viral drug. Focus instead on business problems in such firms, which in many cases are even more substantial than the technical hurdles these firms face. The professor must approve all projects - and is happy to advise on project selection (some will be more or less amenable to study in the very confined timelines of a course).

Below is an overview of the project deliverable details — please see Canvas for more complete instructions. Let me offer two preliminary remarks. First, each deliverable is an argument — as a founder, you need to convince key stakeholders such as investors, potential cofounders, and partners that you have identified a high potential PoV and a viable solution. Make your argument convincing. Second, each deliverable is purposefully short in length. This makes the task much harder; not easier. A startup’s key stakeholders will not wade through thirty pages of text — they want the argument to be clear and concise. Producing a compelling short argument is very challenging, much more so than providing many pages of text while hoping to hit the most important points along the way. With a short assignment, you must decide in advance what is critical and distill your argument down to its most essential elements. Thus, what you choose to exclude from the document is as important a decision as what you choose to include.

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2 Pitchbook / Companies & Deals / Company Status for VC, angel, or accelerator/incubator backed.
3 You are welcome to use the course to further develop a startup idea you already have. However, you will still be required to conduct additional opportunity analysis and generate additional ideas and concepts as part of learning and applying the initial stages of the new product development process. Please let me know right away if you’re planning to develop an idea you already have. Also, please let me know right away if you intend to claim any intellectual property rights related to your idea. If so, you need to consult with a lawyer to best protect your potential intellectual property rights within the context of the course.
advise you to initially write an argument that is 2-3x the allowed submission length, then prioritize content, condense it, and then exclude the material deemed least relevant.

Deliverables should be formatted as single-spaced. Appendices should include graphical and tabular support materials only. These materials should be referenced in the text and must be text-light (they are not a means to extend the main body of the paper). Please include a cover sheet with the (i) list of team members (1st deliverable) or your name (2nd deliverable) and (ii) word count of the main body of the report. Cite all sources using endnotes on a separate page at the end of the document. The title page, graphical/tabular support, and endnotes are excluded from the word count. Late submissions will not be accepted.

1st Deliverable (group): The first deliverable, due mid-course, is focused on identifying the Problem of Value (PoV) that will be the core of your startup strategy for your chosen firm. Think of yourself as stepping into the shoes of the founding team. This need not be the PoV identified by the founders — rather, this is your choice. Your assignment is to identify, define, and argue for the existence of the PoV. Why is it the ‘right’ PoV to address? Note that this first deliverable is limited to the PoV (you will solve it in the second deliverable). This deliverable is a maximum of 800 words and one page of graphical and tabular appendices.

This deliverable is a group effort. Startups are almost always the result of a group effort — a founding team. Therefore, the ability to work in teams and to leverage the wisdom of the crowd is critical to success. Similarly, it will be critical to your success in this course. Each team will consist of five members, and the team will pick a startup for which it will develop a startup strategy. You should begin to form teams as soon as possible. I reserve the right to re-form or add members to teams in the interest of compositional balance.

2nd Deliverable (individual): The second deliverable, due at the end of the course, develops the full strategy — the PoV and your proposed solution. You will do this individually, working on the same firm that your team chose for the first deliverable (changing is not permitted). Consultations with others, including team members from the first deliverable, are not permitted. This deliverable is a maximum of 1000 words and two pages of graphical and tabular appendices.

As startup strategizing is a process, you may revise and refine your PoV. You are not locked into your team’s PoV definition from the first deliverable. If you learn something new, either new data or new conceptual understanding, you should revise your thinking. You should begin by offering a refined (or potentially fully rethought) argument for your PoV (approx. 250 words). The majority of this deliverable (approx. 750 words) should then focus on how your startup will address the PoV in a manner that enables you to create and capture value, and why this solution approach and not some other is best.

EVALUATION

Evaluation has individual and group components. Grade distribution for the course will take the following distribution: H (25%), S+ (50%), S or below (25%)

- Class Participation (30 points - Individual)
- Term Project 1st Deliverable (35 points - Group)
- Term Project 2nd Deliverable (35 points - Individual)
HONOR POLICY AND MISCELLANEOUS

Students must adhere to the Tuck Academic Honor Code. Please ask me if you have any questions about how the honor code applies to a specific situation (better to be safe than sorry). The most important aspect to be aware of is that the work (individual or group) must reflect only the work of those people handing in the assignment.

It is a violation of the honor code to use any materials prepared by earlier years' classes at any time. It is also a violation of the honor code to use others' materials as your own without full citation. This includes the use of *ChatGPT and other large language models* (Bard, Anthropic, etc). If you use this technology, you must cite it appropriately in your work and supply a PDF document that provides the full-text log of all relevant interactions.

There are a few other considerations. First, no extra credit assignments will be given in this course. Please see me immediately if you are concerned about your performance in the course. Second, deviations from the syllabus may be necessary, particularly related to external speakers. If deviations are needed, I will try to provide as much notice as possible. Finally, do not use any personal recording devices during class sessions. If you have a specific need to do so, talk with me at the end of the first class. Most class sessions will be recorded via audio and available to students with excused absences.

COURSE OUTLINE AND SCHEDULE

The course is divided into four modules that explore different aspects of startup strategizing. Sessions are numbered. For each session, I have indicated the topic, cases, and readings in the table on the next page. *Required reading* includes items labeled 'Case,' 'Live Case,' and 'Read.' *Optional* readings, labeled 'GiR' for ‘grounded in research,’ are research articles underlying some of the core concepts in the session.

*Detailed reading lists and preparation details for each session are on the course Canvas website.*
### Module 1: Foundations of Startup Strategy and Why it Matters

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<th>Session</th>
<th>Date</th>
<th>Topic</th>
<th>Readings</th>
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<tbody>
<tr>
<td>s01</td>
<td>Mar X (Day)</td>
<td>What is a startup strategy? The critical role of the &quot;problem of value&quot; (PoV).</td>
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| s02     | Mar X (Day) | How does the "opportunity" matter?                                    | Case: Boho Bars: Energizing Growth (W31122)  
Read: Eisenmann (2013). Entrepreneurship: A Working Definition, HBR (H009YS)  

### Module 2: The Two-Test Solution

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| s03     | Apr X (Day) | Introduction: What is the two-test solution to identifying and evaluating PoVs? | Read: Posen (2024). Teaching Note on the Two-Test Solution for Startup Strategy  
| s04     | Apr X (Day) | Problems of Value and WTP-side approaches                             | Case: eHarmony (9-799-424)  
| s05     | Apr X (Day) | Problems of Value and cost-side approaches                           | Case: Casper Sleep Inc.: Marketing the "One Perfect Mattress for Everyone (9-517-042)                                                                                                                   |

### Module 3: Competition is Overrated

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<th>Topic</th>
<th>Readings</th>
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<tr>
<td>s06</td>
<td>Apr X (Day)</td>
<td>Introduction: Why is competition overrated for startups? A value chain approach?</td>
<td>Read: Posen (2024). Teaching Note on Competition and Startup Strategy</td>
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| s07     | Apr X (Day) | Upstream competition & the PoV                                       | Case: Wal*Mart Stores, Inc. (9-794-024)  
| s08     | Apr X (Day) | Market power & the PoV                                              | Case: Warby Parker: Vision of a “Good” Fashion Brand (9-413-051)  
| s09     | Apr X (Day) | Downstream competition & the PoV                                    | Case: Amazon.com (A) (9-897-128) (Bezos Interview: IPO SEC Filing)  

### Module 4: Critical Startup Strategy Decisions

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<th>Topic</th>
<th>Readings</th>
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| s10     | Apr X (Day) | The Technology Decision                                             | Case: Biobot Analytics (9-821-045)  
Read: Gans, Stern, & Scott (2023) (Ch.6) "Entrepreneurship: A Strategic Approach"  
| s11     | Apr X (Day) | The IP Decision                                                     | Read: Pisano & Teece (2007). How to Capture Value from Innovation. CMR (CMR390)  
Live Case: Bionic Wrench  
| s12     | May X (Day) | Guest Speaker                                                       | TBA                                                                                                                                                                                                     |
| s13     | May X (Day) | The Customer Decision                                               | Read: Gans, Stern, & Scott (2023) (Ch.5) "Entrepreneurship: A Strategic Approach"  
Case: 23andMe: Genetic Testing for Consumers (A) (9-514-086)                                                                                                                   |
Case: Tesla Motors: Disrupting the Auto Industry? (IN1137)  
| s17     | Mar X (Xww) | The Learning and Scaling Decision                                   | Case: Tatix (GSS)  
| s16     | May X (Day) | Guest Speaker                                                       | TBA                                                                                                                                                                                                     |
| s17     | May X (Day) | Leveraging Frictions                                                | Live Case: Dental Tech  
Read: Dees (2011) Responding to Market Failures (9-396-344)  
Read: How a Little ‘Friction’ Can Change a Competitive Landscape. Knowledge@Wharton  
| s18     | Mar X (Xww) | Startup Strategizing - Wrap up discussion                            | May 24 — Project “Deliverable #2” due by 11 pm —                                                                                                                                                    |