

# *FORESIGHT & ENTREPRENEURSHIP*

*PREPARED FOR THE SPRING 2017 GATHERING OF THE UNIVERSITY OF HOUSTON FORESIGHT PROGRAM*

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*“It’s gonna be great, believe me.”*

*– Donald Trump*

# Believe Me \*

## Other Relevant Experience:

- 17+ years of professional experience, including stints at Deloitte Consulting and Sun Microsystems (now Oracle).
- M.S. Futures, University of Houston
- B.S. Management w/ concentrations in Information Systems & Computer Science, Boston College

*\* Information herein is anecdotal, based on my personal and professional experience, which can be normalized to a continuous random variable that stochastically vacillates between two mutually exclusive extremes, depending on who you are and what you've done. Let's assume it's a Gaussian distribution, but really, you know it's not. I.e.  $N=1$ ; deal with it.*

## Intrapreneur (4 Years)

- Senior Product Manager at Intuit last 4 of 8 years there; new offering leader for QuickBooks ProAdvisors program. Led concept to commercial launch of multiple products and services within the QuickBooks ecosystem.

## Startup Experience (3 Years)

- **Combio:** 100+ person B2B started back by HP Ventures in 2000 (\$10M Series A). Role: Corporate Development Summer Associate.
- **Photo TLC:** B2C consumer products backed by Disney Ventures (\$10M Series A, 2003). Role: General Manager.
- **Kula Causes:** B2B2C Cause-Related Loyalty Marketing. ~\$4M Raise in multiple rounds angel rounds. Company still operating. Role: Director of Product Management, then CEO.

## Small Business Experience (4 Years)

- Founder & CEO of a RefactorU. Bootstrapped to \$2M annual, ~\$4M run rate, ~75% GM, ~25% EBT, 15 employees. B2C first, then B2B, now largely B2H (where H=Hosed). Yes, I'm looking. Ping me.

# *Definitions*

**Entrepreneur:** a person who organizes and manages any enterprise, especially a business, usually with consideration initiative and risk.

**Intrapreneur:** an employee of a large corporation who is giving freedom and financial support to create new products, services, systems, etc., and does not have to follow the corporation's usual routines or protocols.

(Dictionary.com) - IMO, relatively poor definitions

# *Definitions*

In the *unwashed vernacular*  
**Small Businesses = Startups**

But *technically speaking*,  
**Small Businesses  $\neq$  Startups**

# *Definitions*

**Startups** *require scale* (and liquidity) for long-term viability. E.g. most common internet startups (SaaS models, network effect products)

**Small businesses** *do not require scale* for long-term viability. E.g. local coffee shop, CPA, plumber, and consulting futurist)

Contrary to popular belief, the vast majority of entrepreneurial activity occurs at the level of the bootstrapped small business and **NOT** at the level of the venture-backed startup.



# *Nitty Gritty*

**Q: Do startup founders, executives, and funders care about foresight?**

A: Yes; but the semantics are different, and the applications are very specific.

**Q: Do small businesses owners care about foresight?**

A: To a limited degree; but are often ill-equipped to anticipate and act on alternative futures. Depends on the dynamics of the industry and local/regional markets those small businesses operate it.

**Q: Are foresight tools and methods used in startups and/or small businesses?**

A: Some, but not really. Those tools and methods aren't at all exclusive to the futures "field" as we would describe it.

# *Intrapreneurs Aside*

*(leaving intrapreneurship aside for now. It has significant overlap with high-growth startups (similar developmental stages) but involves deeper and broader formal foresight and related activities. Besides, Andy capped me to 15 min so something's gotta give.*

Very rarely will you hear someone use the word “foresight” in a startup. Probably never in a small business.

## **Never say never.**

For the purposes of this conversation; a startup is a “traditional” technology startup (e.g. SaaS company). Not talking about capital-intensive new ventures (hardware, biotech, highly regulated environments, etc.). Those operate much more like larger enterprises.

## **It's about getting it right.**

In startups, and in early stages of that lifecycle, it's about getting **product/market fit** right.

Get P/M fit, get traction, **and ultimately, scale.**

*Entrepreneurs play high stakes games, regardless of whether those games are in startups, small businesses, or in large corporations.*

# *Entrepreneurs and Investors*

## **Are by definition a little bit crazy**

- Perception of risk is distorted relative to most others
- Greater ability to deal with (cope, capitalize on) uncertainty and ambiguity than most people
- Tend to be highly competitive
- Tend to be good at seeing patterns and/or opportunities where others do not
- Tend to be better equipped to seize opportunities

## **Funders (angels, VCs, PE tend to be more cautious)**

- It's not just their money (limited vs. general partners)
- Make lots of investments (bets) and but very few go anywhere (lots of strike outs, a couple of singles and doubles, one home run)
- Bet on people and teams more than ideas

# *At the end of the day*

It is about...

**PREDICTION** with **PRECISION** to give investors, employees, managers, customers, vendors, etc., **CONFIDENCE** in the ability to **MAKE DECISIONS** regarding the deployment of scarce resources (people, capital, etc.).

In other words, getting to **PREFERRED FUTURES** in the most efficient way possible and mitigating risk (seeing around big corners).

**Horizon of Concern:** 1-2 years is typical, based on Marmer stage. Why? Because that's the length of the typical amount of runway in any given funding round.

Exceptions: Unicorns and true *world changers*: *Uber, Tesla, SpaceX*. Those are looking out 10-30 years, very *capital-intensive*.

*If stakes are so high, why not explore alternative futures?*

They do actually...

- **Mostly informal.** Sometimes structured (e.g. around funding events)
- **Primary research** (surveys, focus groups)
- **Secondary research** (analyst reports, industry research)
- **What-if & sensitivity-analysis** in pro-formas, operational planning, etc. Almost always short/medium term, 3-5 years, with limited exceptions)

*If stakes are  
so high, why  
not explore  
alternative  
futures?*

### Other considerations...

- **Intuition.** Founders often SMEs with deep or unique insights; professional investors are often fairly well-calibrated)
- **Vision.** Entrepreneurs and investors that may stifle the exploration of possible alternative futures in favor of accelerating the development of preferred futures. This should be obvious
- **Short-termism.** The nature of capital markets (private and public) and overarching concerns about profitability, growth, ultimately liquidity

# *Final Points*

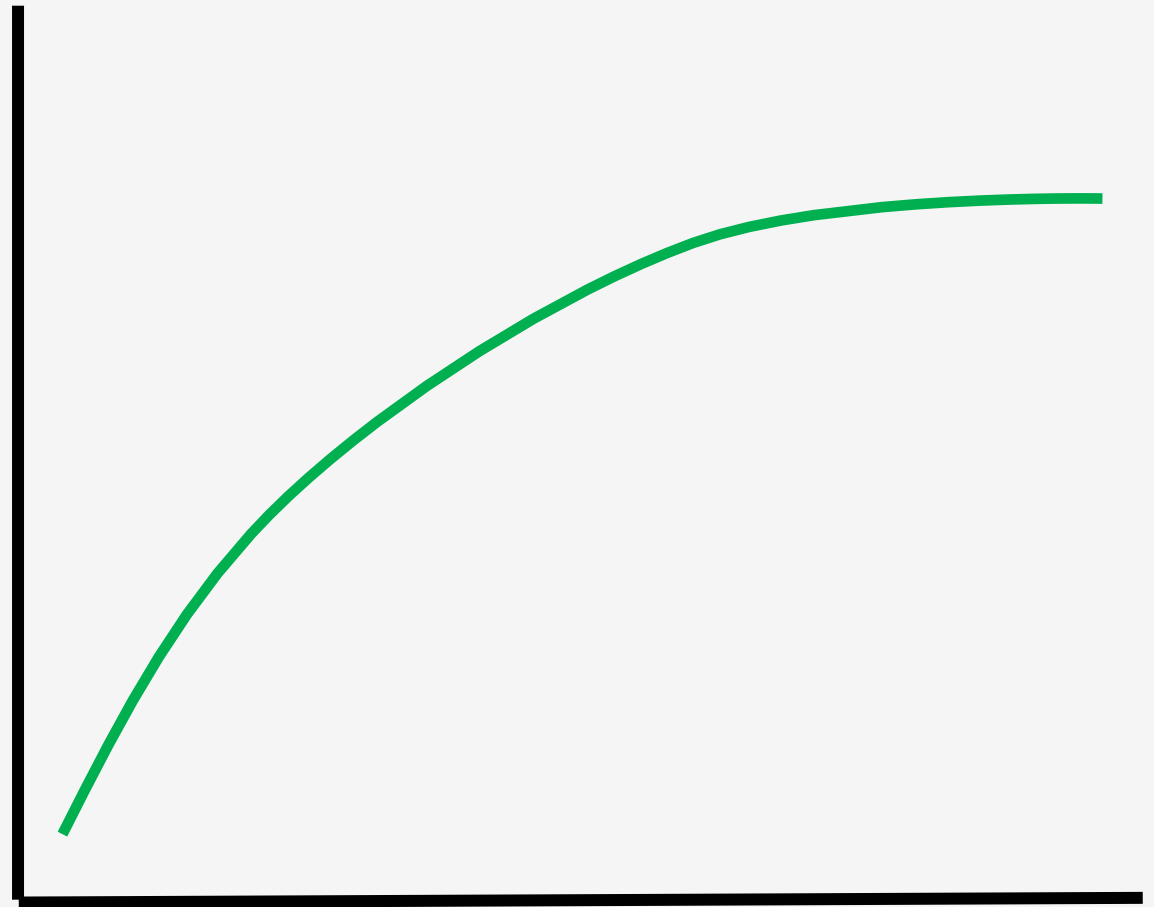
*There is some Hypothesis driven testing and iteration methods (i.e. lean startup and similar “agile” ways of product and company-building) have largely replaced traditional strategic methods. **Those big-ass “thunk” business plans are dead everywhere except university entrepreneurship courses.***

*A 10-slide deck with an agile development team, robust customer empathy feedback, and a sprinkle of leadership are often more effective.*



# *Pretty Pictures*

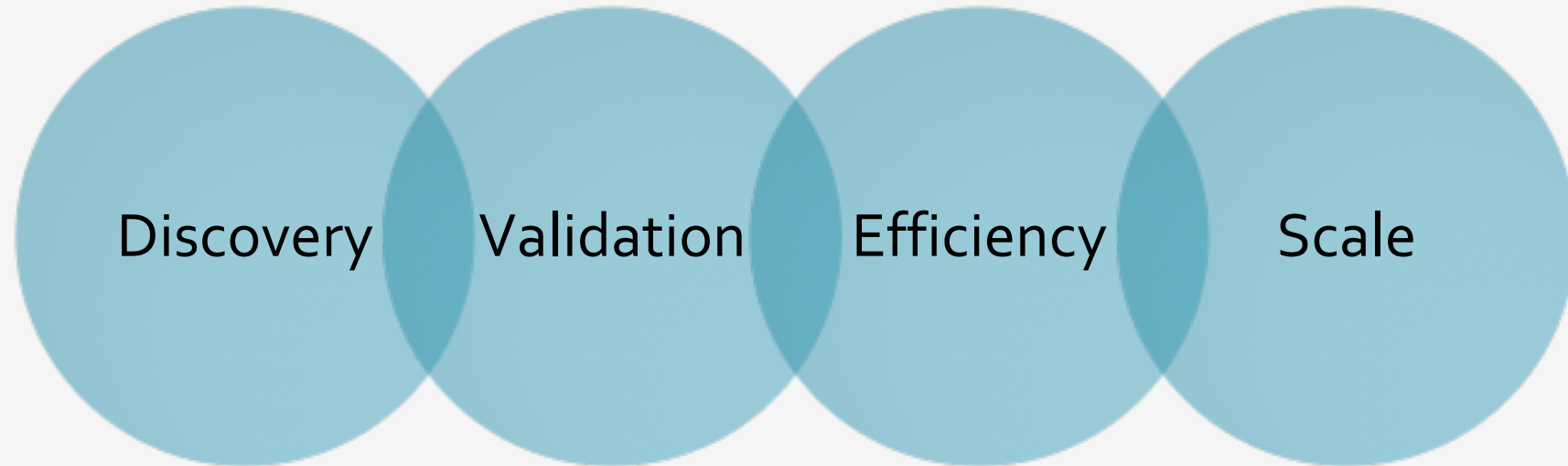
**Foresight Utility**



**Product / Market  
Dynamism & Complexity**

# *Pretty Pictures*

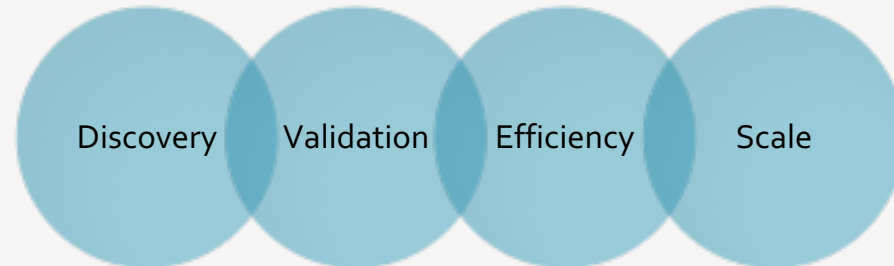
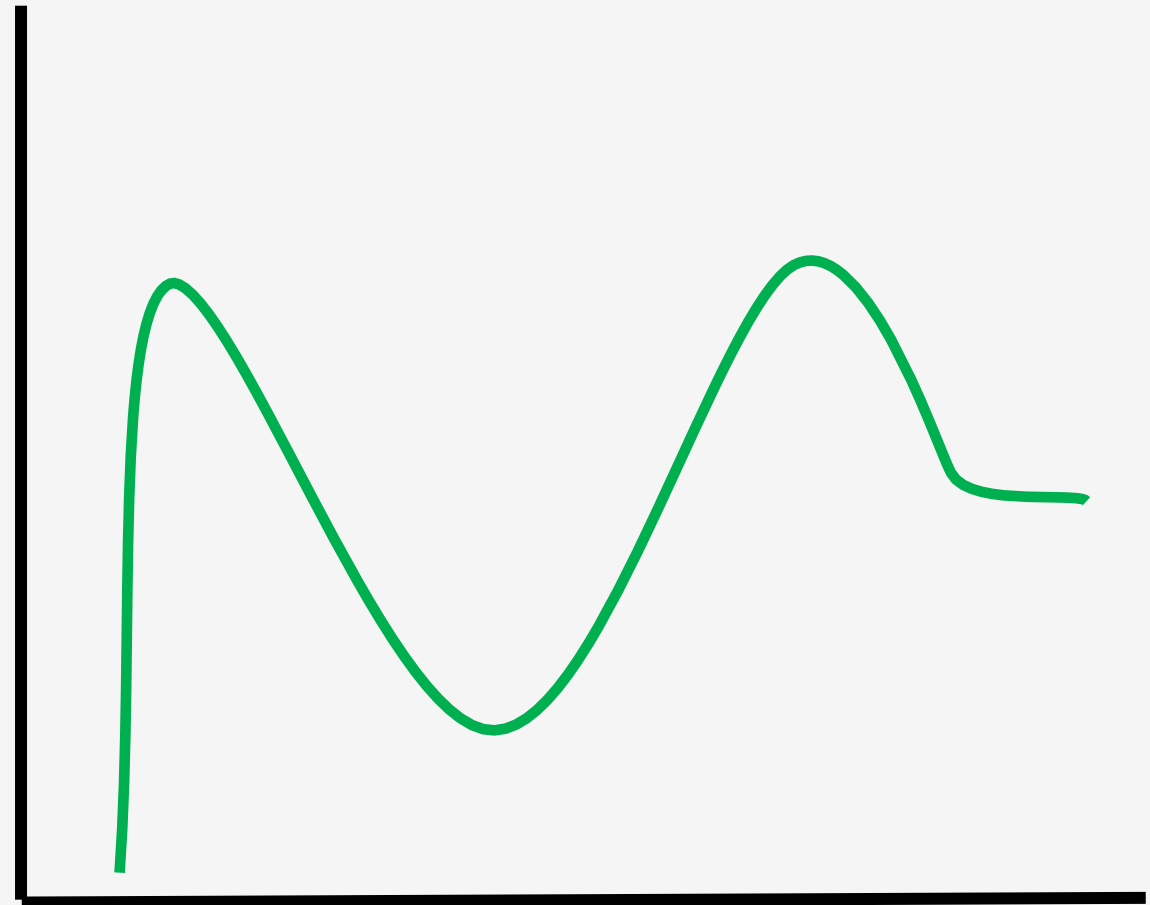
## Marmar Stages



More: <https://www.slideshare.net/Startupi/startup-genome-report>

# *Pretty Pictures*

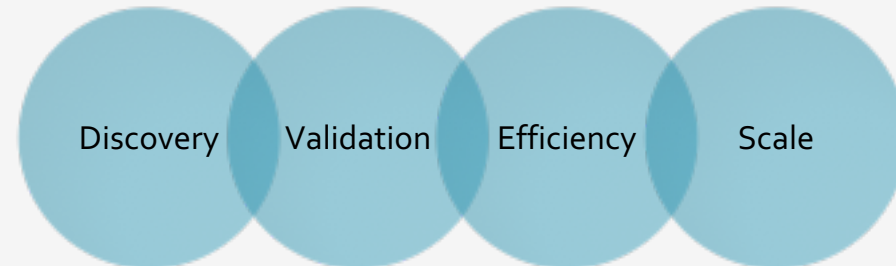
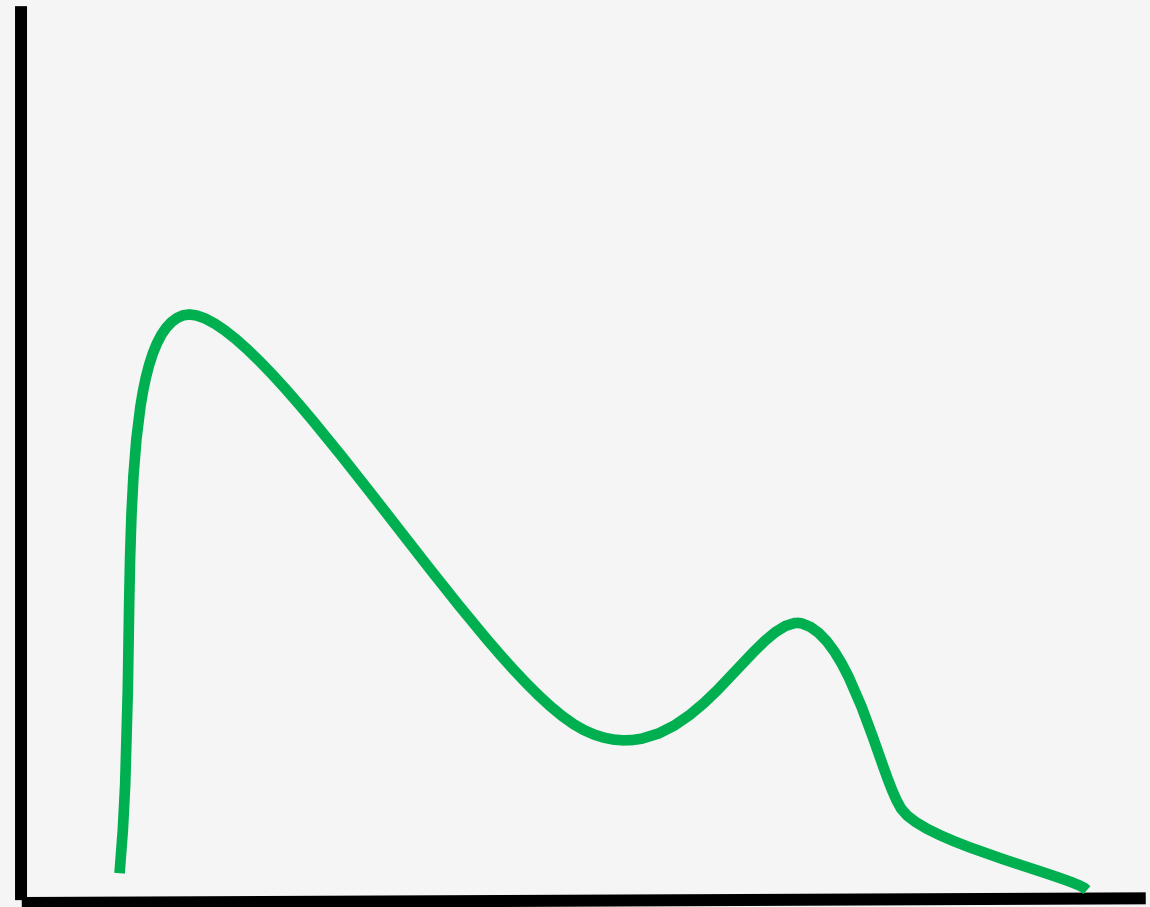
Foresight Utility



**Startup Maturity**

# *Pretty Pictures*

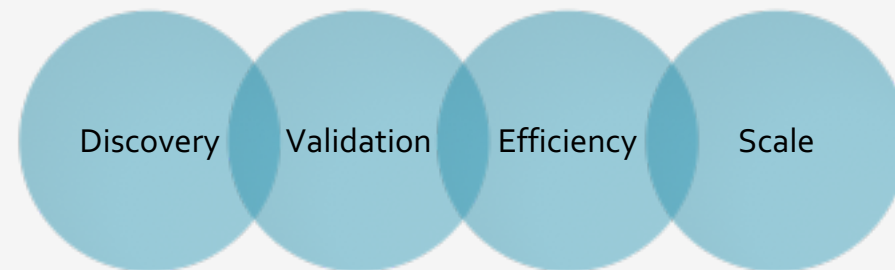
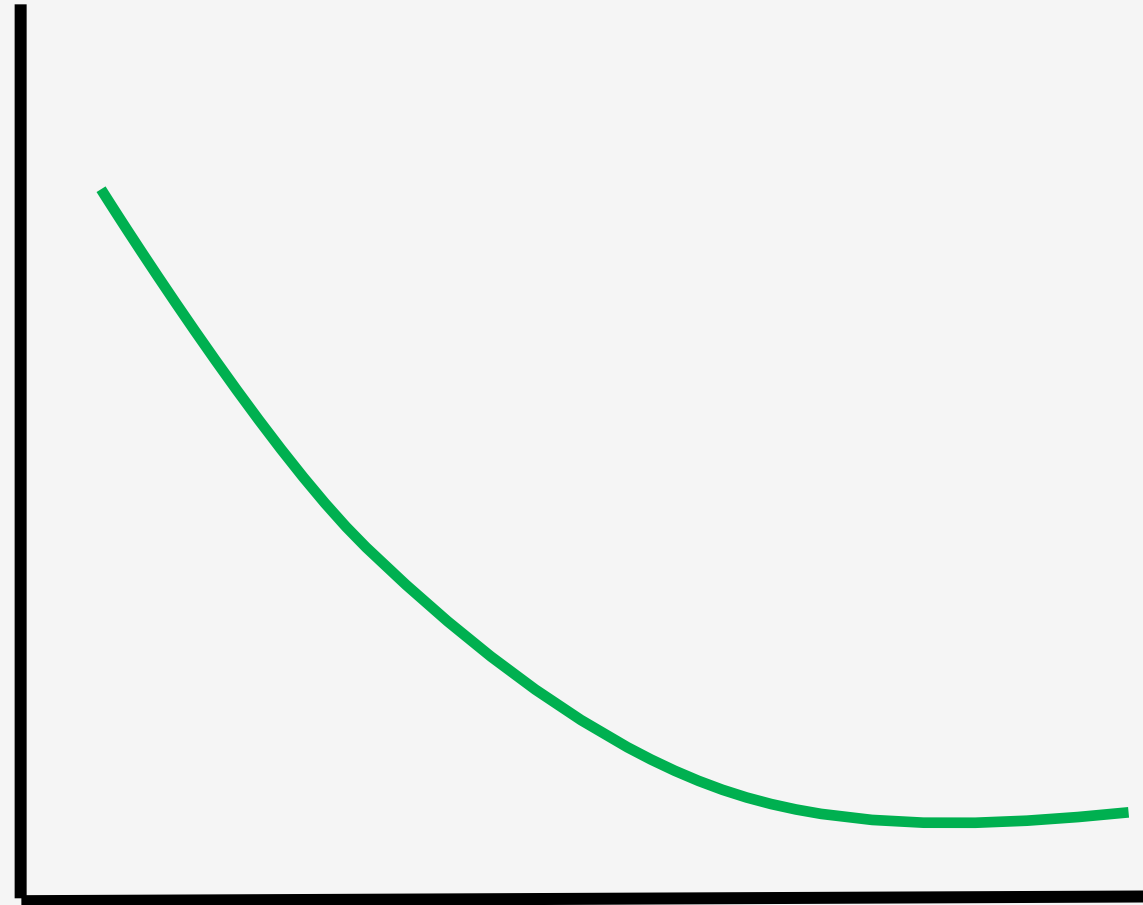
**Foresight Activities  
(or considerations)**



**Startup Maturity**

# *Pretty Pictures*

**Ability to respond  
(adapt, transform,  
and/or capitalize on)  
alternative futures**



**Startup Maturity**

# Takeaways

- Applicable but outside the circle of influence and concern of local small businesses
- For-scale startups driven by customer/product/market insights + vision of a preferred future(s).
- In startups, formal methods non-existent beyond the most simple tools (strategic planning replaced by HDT&I (lean startup), SWOT, limited [probabilistic] scenarios, sensitivity analysis.
- Foresight methods / field virtually unknown beyond primary/secondary research, limited sensitivity analysis with economic models, and war-gaming (rare). Why?
  - Misunderstood or completely unknown
  - If known, perceived limited utility
  - Current tools are pedantic distractions from execution
  - Resource constraints

# *Culinary Intellections (i.e. Thought Appetizers)*

- “Lean startup” approaches are more effective at creating customer/societal value than traditional top-down business planning in early stage ventures. *Startup failure is very often not a lack of foresight. Rather, it is primarily a function of a lack of product/market fit leading to premature scaling, a lack of effective execution, improper timing, and the element of chance.*  
***What role if any do futurists play in shepherding entrepreneurs and intraprenurs through the Marmer stages? When and to what degree should futurists emphasize responding to change vs. creating change, and the role of luck?***
- *Vision and intuition appear to play outsized roles in the lack of formal foresight in startups (along with ignorance of methods and perceived value issues). They also lead to overconfidence and confirmation bias, which is often catastrophic.* ***Do futurists have a role in identifying personal and organizational cognitive biases that causes errors in judgment and decision making?***
- Entrepreneurs and investors may stifle the exploration of alternative futures as a result of fixation on normative outcomes. ***Are there other scenarios when perverse expectations or incentives limit exploration of futures?***

# What's Next?

- Foresight in startups relative to startup type? E.g. Automatizers, Social transformers, Integrators, Challengers. For example, do startups reliant on enterprise sales, with high customer dependency, complex markets, and repeatable sales processes utilize foresight more or less than other types of startups? **Palantir vs. Evernote.**
- Do foresight activities differ significantly based on the composition of the founding team (e.g. business heavy vs. technology heavy vs. balanced)? What about by average funding round (there are correlations between technically heavy founding teams in challenger-type startups, and outsized average fundraising levels).
- I'm tinkering with exploring this space a bit more. Let me know if you're interested in collaborating in some way.

## Recommended resources:

- <https://www.slideshare.net/Startupi/startup-genome-report>
- <http://bfy.tw/BMiS>