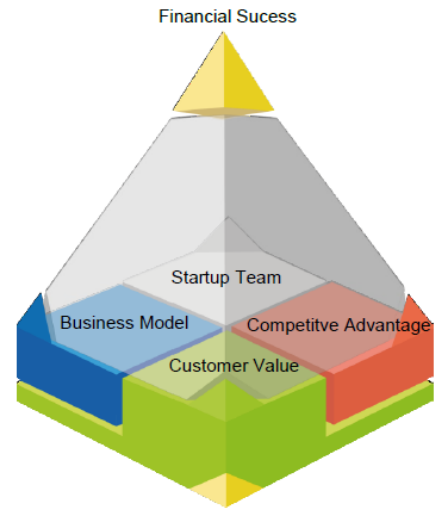


CORNERSTONE© Startup Value Stack Hansruedi Lingg, TECHNOPARK Luzern



If a startup builds its foundation from solid cornerstones (symbolic CORNERSTONES of the pyramid diagram), it can go on to become a financially successful company (yellow tip of the pyramid). Structured execution matters more than the business idea -> following steps

«Onion core» (startup layer model: just like ISO/OSI, the bottom layers make functions available to the top layers and deliberately hide complexity by using modularity. The very top layer is financial success.)

- 1. Customer value layer** ("luminous green CORNERSTONE", because only the customer can give the green light for success): Main question: "WHICH problems that are important to the customer (pain point) does the startup solve better than the competition (sweet spot)". B2B customers usually want financial value (CORNERSTONE hence has a yellow background). Focus on a beachhead market, with short sales cycle and which you can dominate (Blue Ocean) to become Cash-Flow positive quickly enough.
- 2. Value generation layer** ("blue CORNERSTONE" in the colour of the startup): Question: HOW does the startup create value and how can it capture value? How does it reach customers? What should it focus on considering its very limited resources (money, time)? -> Business Model Canvas, Value Chain Design.
- 3. Competition layer** ("red CORNERSTONE" because competitors can act as a red light for startups): Only when the (individual) customer's pain point can be satisfied is it time to start addressing the entire market. The aim is to service a large market that is structurally attractive (entry barriers) and in which the startup has a sustainable competitive advantage (IP, critical mass on IT platforms). That is the only way the startup can capture a significant part of the created value (and thereby benefit its investors).
- 4. Financial layer** ("yellow" tip of the pyramid, the colour of money): Financial success is the result of the CORNERSTONES put in place by the startup during the initial phase of the business. Liquidity is 1st priority to survive. Customer unit economics: Can you acquire customers at cost (COCA) that is substantially less than customer's life time value (LTV)? Focus on business mechanics.

«Onion skin - learning process» (similar to the computer technology metaphor «booting»; the startup's bootstrapping begins with a small amount of capital and develops more capital by systematically reducing the risks in the correct order, which results in added value)

- 5. Value & risk management** The feedback loop between the financial layer and the value generation layer shows that the startup can later finance itself using its own cash flow (once the business is up and running). Prior to that, external funding (FFFF) must be acquired in order to "get the startup engine into gear". These limited resources need to be implemented according to very strict priorities. The startup is only allowed to do things that REDUCE RISK. In a startup context, everything else is "waste". After all, the value of the startup only increases when the existing resources are used to reduce risk. This is a prerequisite for additional funding. Usually the biggest risks come from not knowing enough the customer problem, the customer context and the customer decision process. Hence, this should be tackled first.
- 6. Test business hypotheses** (Customer Development, Lean Startup, Prototyping, Scrum, Agile, Design Thinking): In order to reduce risks, all key business hypotheses must be tested. A startup is a collection of untested business hypotheses. It is an organisation LOOKING for a reproducible, scalable and profitable business model. To find it, the startup must: develop hypotheses for all parts of the business model, plan business experiments in the right order (according to risk reduction return on experiment cost) to test these hypotheses, then if needs be adapt the business model BEFORE scaling. LEARNING is the most important factor for the progress of the start-up (modules 5 and 6 are shown as the letter L).
- 7. A strong start-up team** (grey CORNERSTONE) The first three CORNERSTONES form the basis for a good business case. However the necessary learning in modules 5 and 6 and the execution of a good business case depends on a strong team: Knowledge and experience in all the necessary areas and roles, team members can execute and learn together in a constructive way inspite of strong personalities.