

# Entrepreneurship & New Business Creation

The complete, exam-focused guide to the Flexible Business Model Canvas, from idea generation through to scaling, with worked exam technique and a high-yield case library.

MGMT3342 / ENTR3342

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**Built for the final exam.** Open book. Four essay questions. Consultant mindset.  
Covers all eleven workshops and the Workshop 11 scaling and exam-preparation session.

Every framework, model, distinction and case in this pack is drawn directly from the unit material. The notes are organised for fast revision under time pressure: definitions first, then mechanics, then the cases you can deploy in the exam, then the exam technique itself.

# Contents

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01	The Entrepreneurial Mindset	search vs execute, lean startup, the modern environment
02	Causal vs Effectual Reasoning	the prediction and control logic, five principles of effectuation
03	Opportunity, Market Research & Problem Identification	market sizing, positioning, analogues, root cause
04	The Flexible Business Model Canvas	the seven building blocks and how they interlock
05	Building Block 1: Value Proposition & Value Map	value disciplines, MVP, incremental vs radical
06	Building Block 2: Customer Segmentation & Profile	product market fit, the local optimum, adoption
07	Building Block 3: Distribution Channels	cost, volume, control, coverage and channel conflict
08	Building Block 4: Customer Relationships	get-keep-grow, the three growth engines, CLV and CAC
09	Building Block 5: Costs, Revenue & Pricing	revenue-first vs user-first, freemium, pricing logic
10	Building Block 6 & 7: Partnerships, Ecosystems & Resources	competition vs collaboration, RBV, IP
11	Funding & The Pitch	funding ladder, investor fit, the elevator pitch, valuation
12	Scaling	pockets of excellence, standardisation, growth vs scaling, org building
13	Case Library & Cross-Block Matrix	the cases you can deploy for any question
14	Shine Media: Guaranteed Exam Case	full case brief
15	Exam Strategy & Worked Question Templates	structure, scoring, model answers

## HOW TO USE THIS PACK

The exam is open book and rewards **application, not recall**. Read sections 01 to 12 to lock in the frameworks, use section 13 to choose two or three cases you will own completely, study section 14 because a Shine Media question is guaranteed, then drill section 15 so your answers hit every sub-part of every question. The exam wants you to act as a consultant who can change a real business for the better.

## The Entrepreneurial Mindset

The unit rests on one foundational distinction: a startup is not a smaller version of a large company. Treating it as one is the classic, catastrophic error of the 1990s, when founders and venture capitalists wrote a fixed business plan and executed it as if the future were known.

### Startups search, established firms execute

An established firm is a refined, interconnected system. Every task, role and process is tuned to work together for efficiency, which assumes large sunk costs and long experience. A startup has none of that, but it has the one thing the incumbent lacks: the ability to change course. The startup is a lean directional arrow that can pivot; the incumbent is a fixed machine.

*The core contrast that frames the whole unit.*

Dimension	Established firm (executes)	Startup (searches)
<b>Structure</b>	Many interrelated parts, heavy sunk costs, deep efficiencies and economies of scale	Minimal structure, low investment, lean and directional
<b>Knowledge</b>	Knows its customers, technologies and a 10 to 15 year product roadmap of incremental launches	Does not yet know customers or technologies; operating under heavy uncertainty
<b>Approach</b>	Follows a set plan; path dependent	Forms and tests hypotheses; pivots
<b>Edge</b>	Efficiency, scale, long-lived technical experience	Agility; advantage grows in turbulent, fast-moving, dynamic markets

#### DEFINITION: THE LEAN STARTUP METHODOLOGY

Research the business by investing the **minimum** funds and resources while doing a maximum of research and outreach (especially customer interviews). The engine is the **build, measure, learn** loop: build a representation, put it in front of customers, measure what they say and do, then learn and adjust. More loops mean tighter alignment with the market.

### Key images and analogies

- **The multi-stage rocket.** A startup develops in one direction, validates or falsifies its hypotheses, and when the first stage burns out it redirects its next burst of energy elsewhere. Limiting scope early and focusing only on what brings value is central to being lean.
- **The strategist on the battlefield.** A fixed war plan with no ability to change troop movements creates chaos and wasted resources. The successful strategist stays on the field and adapts in real time, just as the founder must change direction as information arrives.
- **The unreliable forecast.** Pitches built on multi-year projected cash flows and margins are unreliable. Base future projections on lived track record (how named customers actually responded) rather than on prediction.

### Why now: the modern environment

The current environment is defined by dynamism, globalisation, competitiveness and complexity (interrelated platforms and ecosystems). This favours the nimble startup. Two enablers make entrepreneurship more accessible than ever:

- **No-code software.** A decade ago an app idea required a coder on the team. Now intuitive design tools let a founder build, click through and show an app to customers at near-zero cost.
- **Artificial intelligence, in two roles.** First, to run business processes more efficiently and produce a better end product. Second, as a support and decision system (researching markets and technologies). A founder using AI will tend to beat an equivalent founder who does not. AI also complements the human: together they reach a better endpoint than either alone, and the founder learns where AI falls short.

#### THE MARKET'S LONG EVOLUTION

Mid-twentieth century: physical goods sold in physical stores (competition limited by geography). 1960s to 70s: virtual goods entering physical stores. Early 1990s: physical goods moving online (Amazon as a forerunner). Then: virtual goods sold via virtual channels, now **intermixed** into a single ecosystem where customers research with AI, find products via search and social, and buy across many channels.

**Bootstrapping** is starting a venture within the constraints and possibilities of normal life. The same build, measure, learn logic mirrors the large-firm *innovation funnel*: many ideas are assessed for scope and business-case fit, the best-aligned advance to testing, validation and launch. The startup runs the same stages, usually with fewer ideas because it is more focused.

#### EXAM-RELEVANT TAKEAWAY

When a question asks you to improve a real startup, your reasoning should reflect this mindset: prioritise flexibility and learning early, treat uncertainty as something to research away, and never recommend locking a young business into a rigid, sunk-cost-heavy commitment before product market fit is proven.

## Causal vs Effectual Reasoning

Entrepreneurs reason in two opposite ways. Knowing which logic a firm is using, and which it should use, is one of the most testable ideas in the unit.

Logic	Means and ends	Best for
<b>Causal</b>	Known means used to reach a known end goal (study existing players, use the same means to make a more original or niche version)	The next incremental wave of products and services
<b>Effectual</b>	Imagined and evolving means used to reach an end that is not yet known; pick up what is around you to build a future vision	The next disruptive layer of innovation

### The prediction and control logic

Plot prediction against control and four logics appear. This explains exactly why startups are unique.

Logic	Prediction	Control	Who uses it
<b>Causal</b>	High	Low	Large organisations (locked in by their own ecosystem and path dependency, but they know their market deeply)
<b>Effectual</b>	Low	High	Startups (cannot predict, but are flexible and agile because they have no sunk costs)
<b>Visionary</b>	High	High	Rare; a small number of visionary companies
<b>Adaptive</b>	varies	varies	Established adaptive incumbents

Most firms blend causal and effectual logic. The startup's single great strength is **control through flexibility**. If a founder relies only on causal logic, the startup will almost always lose to an incumbent, because the incumbent predicts better and the founder is failing to use agility to move around obstacles.

#### THE LIFECYCLE OF LOGIC

- Novice entrepreneurs often start with causal logic and fail because they allow too little flexibility. They succeed once they apply effectual logic.
- As a startup grows and builds processes and connections, it increasingly adopts causal logic (company building).
- Some founders cannot make the shift from effectual to causal logic. Venture capitalists and angels tend to replace them. Others stay in the startup mode and become serial or expert entrepreneurs.

### The five principles of effectuation

Principle	What it means in practice
<b>Bird in hand</b>	Start with who you are, what you know, and whom you know. Each team member's unique knowledge is valuable; pooling it benefits the team.
<b>Affordable loss</b>	Invest only what you can afford to lose. In the extreme that is zero. The canvas is designed to let you experiment and learn at near-zero cost.
<b>Crazy quilt</b>	Build a network of self-selected stakeholders: mentors, investors, suppliers, knowledge and other partners. Gain insight without large investment.
<b>Lemonade</b>	Embrace and leverage surprises. A roadblock that stops you usually stops your competitors too; the more creatively you sidestep it, the stronger your competitive advantage.
<b>Pilot in the plane</b>	You drive your own decisions. The control dimension of effectual logic: the research you do directly shapes your decisions and your future.

#### COMMON CONFUSION

Effectual is not the same as careless. It is disciplined experimentation: imagined means, affordable loss, leveraging surprises, and steering with control. Causal is not "bad"; it is correct for incremental moves and for scaled firms. The exam reward is matching the logic to the level of uncertainty in the market.

## Opportunity, Market Research & Problem Identification

### Two ways to find an opportunity

Approach	What you look at
<b>Top down</b>	Shifts in the environment: an ageing population (a boom in aged care and assistive technology), remote work after the pandemic, the explosion of data and data analytics, cloud computing and non-geographic system connection, the sharing economy, and the rise of AI.
<b>Bottom up</b>	The team itself: who we are, our skills, the ideas we generated, and unique combinations (one member's technology familiarity combined with another's market rationale).

### Market sizing: from the whole market to what you can actually serve

You cannot please everyone. Aim for the sweet spot of price against volume, where your idea is appreciated most. Narrow the market deliberately:

**Total market → Total addressable market → Obtainable market**

The obtainable market is often a small percentage of the total addressable market, and that is fine if product market fit is strong and the business is sustainable (and not so small it cannot survive). Worked example of narrowing: all LED lighting in the world (impossible to compete on, dominated by economies of scale) becomes LED lighting for growing produce in greenhouses, focused on a manageable geography such as the Nordic region.

### The 2x2 positioning matrix

Choose two dimensions and position your idea against competitors. Dimensions are free to choose: cost to customer, convenience, sustainability, quality, speed of service. Worked example: on a cost and convenience grid, a taxi sits at moderate convenience and moderate-to-high price, while a ride-share entrant sits at higher convenience and lower price. If you are lower cost but lower convenience, that is a decision point: does the price offset the inconvenience?

### Market dynamics and analogues

Look for behaviours that a new technology can enable, rather than treating the market as static. An **analogue** is a similar existing consumer behaviour that signals latent demand.

#### WORKED EXAMPLE: THE MESSAGING-APP WAVE

The analogue was already-high phone and SMS usage, signalling strong demand for text messaging. The enablers were the exponential rise of smartphones after 2009 and rising mobile internet penetration (under 10 percent had mobile internet in 2008). The differentiator that drove viral sharing was **group messaging**, where SMS was one-to-one. The result: more than 400 million users within about four years, never profitable as a standalone, later acquired.

### Problem identification and root cause

Build a business that solves a **real problem**, not a "nice to have", because a real problem pulls customers toward you far faster. Reach the **root cause** rather than managing symptoms.

- **Five Whys, broad:** map the spectrum of different causes of a problem.
- **Five Whys, narrow:** dig deeper down a single chain (because of reason X, which happens because of reason Y, and so on).

A sub-cause uncovered in this digging can itself be the focused business. Organising the venture around one cause rather than the whole problem space **reduces complexity** and sharpens targeting.

## The Flexible Business Model Canvas

The canvas is the spine of the unit and of the exam. Seven building blocks are researched one at a time, but the whole point is that they are interconnected: a change in one ripples through the others.

#	Building block	Core question it answers
1	<b>Value proposition</b>	What value do our features and functions create, and how do they combine?
2	<b>Customer segmentation</b>	Who exactly are we for, and where is the fit?
3	<b>Distribution channels</b>	How do we get the product into customers' hands, usable and maintained?
4	<b>Customer relationships</b>	How do we get, keep and grow customers?
5	<b>Costs and revenues</b>	How do we make money, and what does it cost?
6	<b>Partnerships and ecosystem constituents</b>	Who do we work with to fill gaps and reach markets?
7	<b>Resources</b>	What valuable, rare and hard-to-copy assets do we hold (including IP)?

### THE DEFINING PRINCIPLE: ITERATION AND INTERCONNECTION

The canvas is **flexible**: unlike an incumbent's fixed system, every block stays adjustable. Researching a later block forces feedback loops into earlier ones. A few examples of the loops the unit stresses:

- A chosen value proposition may fit one customer segment far better than another, so the segment reshapes the value map, which reshapes which segment is reachable.
- How you distribute carries a cost and revenue implication, which can force the value proposition to change.
- A partner can unlock a new distribution channel, which lifts the value proposition.

The sequence of work also reduces uncertainty in order: aligning the value proposition with a customer segment first removes the most uncertainty, so that later, capital-heavy decisions (hiring, plant, multi-year supplier contracts) are only made once you can "appreciate your view" and build in a place that will work long term.

### EXAM FRAMING

Exam questions are organised **by building block**. The strongest answers also make the interconnections explicit: when you propose a change to one block, say what it does to the others. In the final pitch the same rule applies: frame each block so it visibly strengthens your positioning rather than listing blocks in isolation.