



GROWING YOUR ENTERPRISE **AT STARTUP SPEED**

CREATING A BLUEPRINT FOR ALWAYS-ON
CONTINUOUS TRANSFORMATION USING
ENTREPRENEURIAL MANAGEMENT

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INTRODUCTION

AN OUTSIDER'S EYE

We are company builders. We've successfully built and scaled companies from startup to growth to successful sale and acquisition.

Over the last few years, our founders have been applying entrepreneurial thinking and startup acceleration techniques inside large organisations in New Zealand such as NZ Post, Frucor, Fonterra, and Kiwibank.

We've learned that it often takes radical outsiders to come in and find new growth opportunities for these companies. They cast a more entrepreneur's-eye view across a large company's internal operations and innovation efforts and see what is not always obvious to those working inside.

More importantly, we learned that these large enterprises are in dire need of reactivating the entrepreneurship that was once alive in their own DNA.

Whilst corporate innovators are trying their best to create new horizons of innovation inside the building, many have forgotten how to approach new ideas and new product development the way a startup would.

We believe that the large enterprises of tomorrow are those who can leverage the methods and tools of lean entrepreneurship and the portfolio-mindset of venture investing.

We look to partner with growing enterprises to create a blueprint for continuous innovation and sustainable growth. We do this by installing a 'startup operating system' inside their organisation and provide a new source of always-on, entrepreneurial innovation capability to drive long-term impact and growth.

Jane & Dan, Co-Founders, ZeroPoint Ventures



THE WORLD'S LARGEST COMPANIES HAVE CHANGED IN THE LAST 5 YEARS

It doesn't take an expert to realise that the way we're doing business is changing. The world is rapidly transforming from an age of product-led industrial economies to an age of digital-led customer experiences.

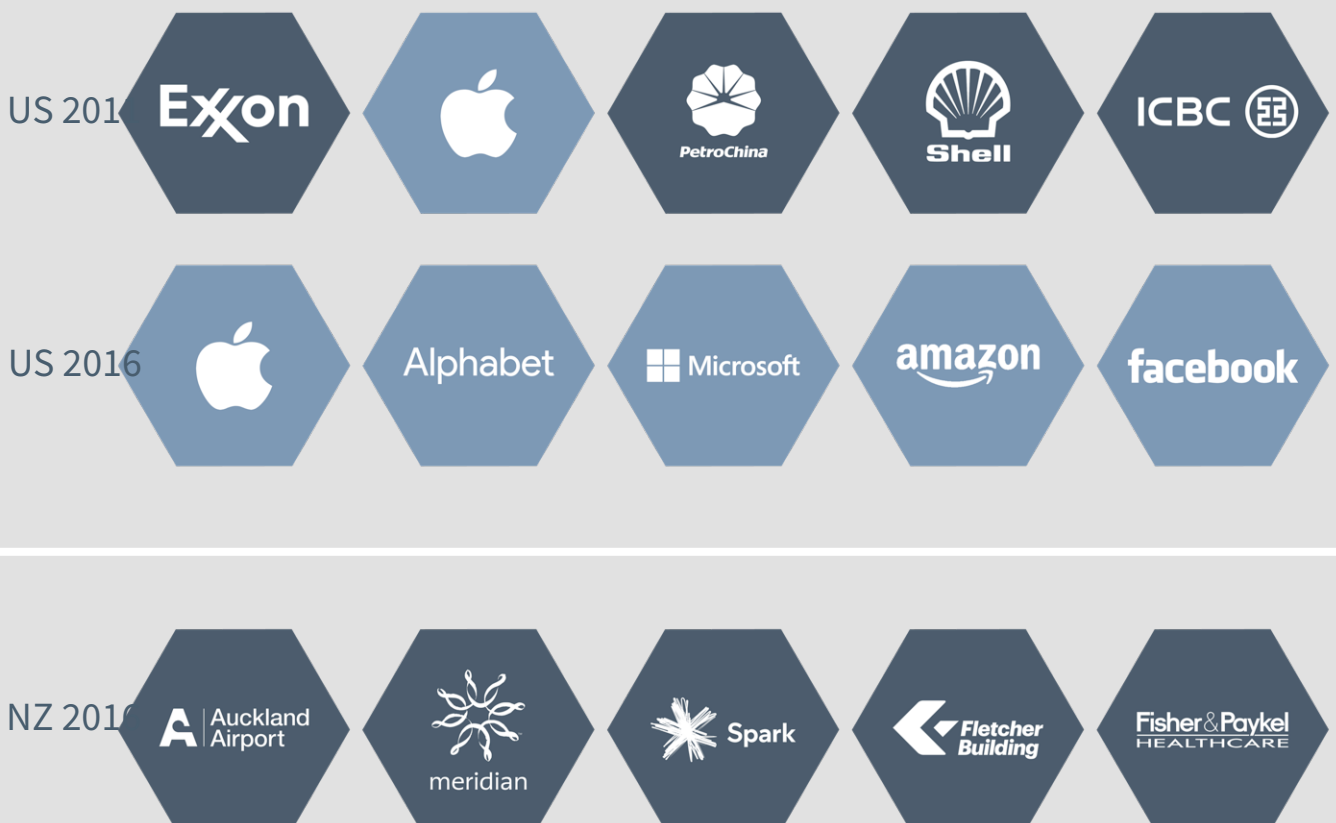
With the rise of digital-, mobile-, and subscription- economies, the world's largest companies have shifted over the last 5 years to be all tech-based. But most of NZ's top companies aren't digital first; they're not only missing a huge opportunity, but they also face a significant risk of disruption.

In the last 15 years, 50% of Fortune 500 companies have completely disappeared, and futurist Peter Diamandis, estimates that 40% of today's F500 companies on the S&P

500 will no longer exist in 10 years! We're living in a time where the average lifespan of big companies are getting shorter than ever and they need to change to keep up.

So, it's no surprise—what was once done by large enterprise is now being done by startups who are customer-led, fast, and able to take more risks.

Even in New Zealand, a lack of risk-taking willingness has left money on the table. As corporate NZ are not good at picking winners and particularly because many don't have strategies to engage with early innovation, many enterprises miss out on billions of dollars of potential growth in new- and emerging- sectors.



A MINDSET OF ENTREPRENEURSHIP NOT INNOVATION

Whilst Innovation managers tout new innovation labs, and startup thinking; it's the traditional management tools which can't and don't work in this new way, since they struggle to cope with uncertainty. In traditional management models, 'failure is not an option', whereas the entrepreneur embraces failure as a necessary path to learning and success.

This entrepreneurship mindset is the missing link in most large corporates embarking upon innovation programmes. There may be lots of innovation to be had and plentiful ideas, but without the management process to support this style of execution and business model discovery, innovation efforts will be wasted.

Who's job is it in your organisation to oversee high-potential growth initiatives that could one day become new business units? Who's building a pipeline of hundreds or thousands of projects to replace old and tired business units as they reach the end of their market lifecycle? Who is responsible for infusing everyday work with an entrepreneurial, experimental, and iterative mindset across the enterprise - not just at an engineering or production level but at every core function of the business?

For many companies, there is no function designed to do all of these things, and often innovation is 'everyone's responsibility' and, therefore by default, becomes the master of none.

Entrepreneurship is a whole new management discipline. One that requires a dedicated job function to ensure it can happen across the organisation without killing existing operating business units.

This isn't an impossible transformation - most large companies once started out as startups, but lost that entrepreneurial DNA along the journey. As they grew from the business model 'search' mindset and hired project managers and skilled operators to build an 'execute' mindset the power of startup thinking disappeared.

Rebooting your people takes time. Employee engagement and culture change is never easy, yet changing their mindset to be that of an entrepreneur is one you will need to undertake as they get to grips with new tools, methods, and management disciplines.

Your teams will need a different type of support to turn their mindsets back from just operators, to operators and creators. Rekindling the entrepreneurial DNA that once existed within the organisation and creating a blueprint for always-on continuous transformation.

"The most important companies in the world were not built in day. Companies like Facebook and AirBnB did not stop after their first successful product. They continued to innovate, even in the face of extreme competition from other startups"

Brian Singerman, Partner at Venture Capital Firm, Founders Fund



Image Source: Founders Fund

A STARTUP STATE OF MIND LIVING WITH UNCERTAINTY

There's several lessons to learn from looking at how startups operate. The founders' mindset is hardest to replicate because their environment and constraints are so different to a traditional corporate employee.

A founder is so deeply rooted in a personal vision to solve a customer problem, that they embed a set of personal operating values that gives dogged determination and persistence to continue. Even in the face of failure, and often to extreme personal, financial, and social cost.

Whilst many corporates start out with a great idea for a new innovation and then build a team of insiders around it; the most important factor to a startup is less the idea, more the team. To a startup a great idea invalidated leaves nothing, whereas a great team with an invalidated idea, still leaves a great team to pivot and learn from.

Startup teams are intensely driven by their scarcity of time and resources before their cash runway evaporates, so are forced to operate in environments of extreme uncertainty, risk, and decision making in the absence of all of the facts.

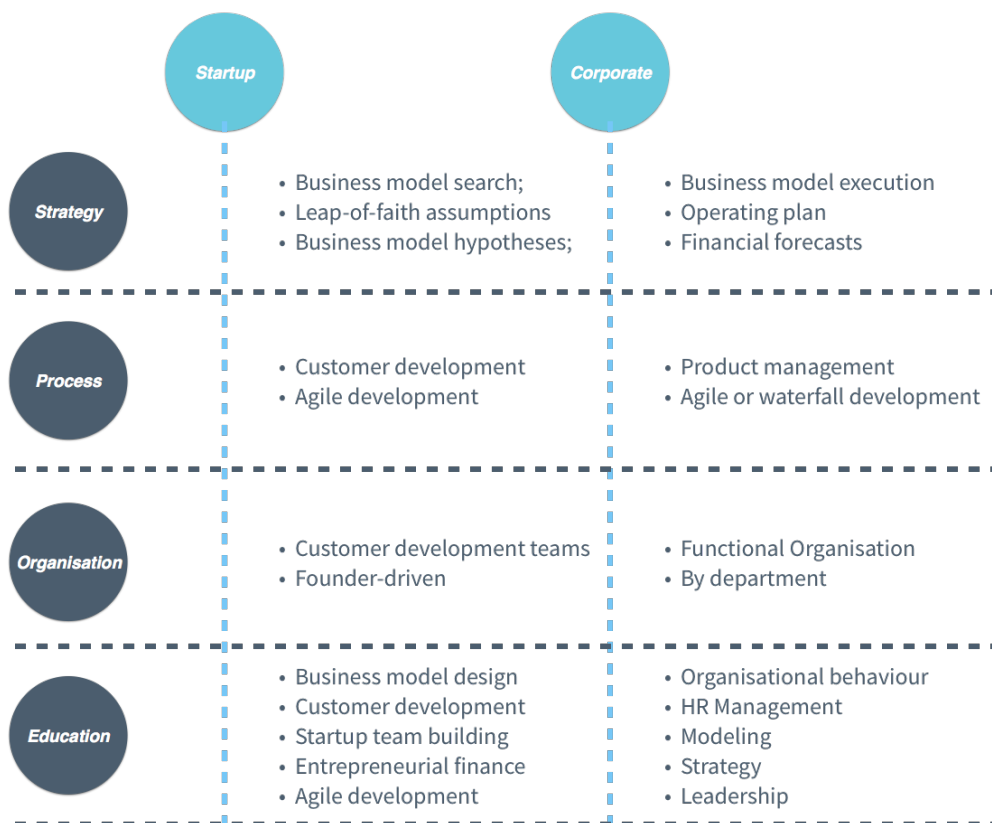
This scarcity leads startup teams to be scrappy, but adaptable and fast. This adaptability comes from multi-talented 't-shaped' founders who have broad general functional

abilities, and one or two deep specialisations. This cross-functional nature allows them to tackle a wide ranging variety of projects or to hold many job functions at the same time, essential when creating new ventures in the face of uncertainty.

In many ways, startups have an unhealthy obsession with their customers that many corporates don't due to their scale and employees' distance from the real customer. This extreme affinity and focus to solving customer pain points in new delightful ways creates an almost unrivalled loyalty whereby customers don't just become customers and users, they become passionate fans and automated referral engines for new customers.

For startups, the fuel for these operations is a specific financial structure that automatically forms a sort of metered funding through venture capital. A small amount of angel or seed funding allows them to prove the market and de-risk a market opportunity, before larger venture investors pour more fuel on the now proven fire to allow it to scale.

This risk-appropriate funding and strong vision acts as a huge lens to focus the early-team's efforts and provides a limited runway to prove or disprove an idea quickly.



Source: SteveBlank.com

VENTURE AS A UNIT OF WORK

ENTREPRENEURIAL MANAGEMENT

The biggest lesson corporates can take from startup operating models is that to function in an entrepreneurial management model, means they need to embrace different models to work with uncertainty and early-stage risk.

‘How can we be more like a startup?’ is not the right question to ask - the corporate machine is optimised for execution of known business models, not discovery of new ones.

But you are looking to take the startup mindset and aim towards a long-term transformation of people and management systems. This mindset will naturally manage decision making under conditions of extreme uncertainty; manage experimentation at scale; and internalise rapid learning loops as a founder would.

A startup mindset requires managers to think like venture investors and have a portfolio of innovation projects in the pipeline. Instead of having an intense interest in a small handful of big projects that will hopefully turn into tomorrow’s business units, managers need to set expectations based on venture-maths where a few breakout successes in a larger portfolio will cover the losses of all the others.

But crucially, as every venture investor knows, no-one yet has the secret formula of how to pick venture winners, so you need to have enough bets at all stages of the pipeline today to ensure a continuous stream of growth opportunities for tomorrow.



Today’s Companies

- Steady growth & rigid management
- Experts in functional silos
- Stage-gated deliverables across project teams
- Huge programmes across few innovations given intense scrutiny
- Priority to highly uncertain projects based on ROI, traditional accounting and market share
- Team composition of managers and their subordinates
- Big budgets signed off based on future business case

Tomorrow’s Companies

- Sustained impact & continuous innovation
- Cross-functional teams
- Highly iterative customer-focused projects
- Many rapid experiments across innovation portfolios
- Priority based on probability of future impact and evidence-based innovation accounting
- Teams composed of leaders and empowered entrepreneurial teams
- Metered funding based on proof points and engagement metrics

A CASE STUDY OF RAPID TRANSFORMATION

BY CAROLYN LUEY, GENERAL MANAGER, MYOB NZ

The pace of change in the business world is now exponential. New ideas, novel solutions for old problems and exciting new business models are springing up everywhere. The challenge for businesses now is keeping up with the multitude of changes their industry faces every day. Leading tech business MYOB isn't exempt.

MYOB began life as a start-up venture in 1991 from a small home office with one big idea - to create affordable tools for making business life easier.

Our first desktop product was revolutionary. No one had ever made accounting so easy for non-accountants. Its success catapulted MYOB to become a household name with more than 1.2 million customers across NZ and Australia.

However, as cloud-based technologies swept the IT world, transformation was just around the corner.

There are only three ways to respond to systemic change like this: ignore it, resist it, or embrace it. MYOB leaned in.

We saw the opportunity to transform our business, swapping out a business model based on desktop technology for a cloud-based software-as-a-service model – all in mid-flight!

It's not easy for established businesses to execute large-scale pivots. To do so, we needed to be honest with ourselves. A decade ago we had little experience with online technologies and our distribution channels were poorly aligned for this change. Even our marketing was desktop-centric.

Things needed to change - and change fast. But it wasn't just a shift in technology that was needed, it was a cultural change too. The steps we then took were pivotal to our success.

We set a clear 'compass direction' for our team members to transform MYOB into a leading cloud-based business management technology company – and we equipped them to drive the change required.

That meant a step-change in how we built and delivered value to our customers. We shifted MYOB from being a traditional software company to a new tech business.

To get here, MYOB embraced agility. Our product development and decision-making is driven throughout our business by trying things out, testing their value to market and learning to fail fast.

These fuel the entrepreneurial mindset of our team that leaves us with no shortage of ideas - and passionate people with the potential to make them successful.



Rapid Transformation To Sustainable Success

“The MYOB team has worked tirelessly to inject innovation into our work culture; the way we organise people, the way in which we talk, the way in which we engage with our clients & the skills we look for.

But, probably most important is the expectations we have of ourselves which have all changed and are now all focused on turning our rapid transformation into a sustainable success.

And, we can see it working; our cloud-based accounting is experiencing record growth – up 60 per cent – and is on track to reach one million online subscribers in Australia and New Zealand by 2020.

We now have more than 1,500 staff, with 450 in New Zealand, delivering a range of cloud-based accounting, payroll and business management software to customers across start-ups, small businesses, and larger enterprises.

I'm thrilled of how far we've come – and the most exciting part is it's only just the start.”

Carolyn.

CHANGING INTERNAL CULTURE WORKING GRASSROOTS UP

The biggest hurdle facing most corporate transformers is that of culture-change. Most large enterprises want an internal culture of continuous transformation and their people to be entrepreneurial thinkers, but unless your team is staffed by ex-Googler's, how do you get there?

We believe that you need to start small and grow bottom up. Culture change is an outcome rather than an output, so you need a process and system to drive that change over time. High levels of employee engagement is critical to overall transformation success.

Starting at a grassroots level in your organisation allows operators on the ground to see the changes first hand. They will understand how it helps them get their jobs done faster, more efficiently, and with less wasted time, money, and other resources.

But the simultaneous challenge is how can management stay two steps ahead to give that new found thinking space to flourish? This is particularly needed to provide air-cover

and continuity, so that entrepreneurial projects can be measured with new methods of innovation accounting, rather than be shot down by old-school measures of ROI and market share.

Engineering a grassroots movement is a powerful method to spread change and re-energize a tired workforce. We've seen how this energy and enthusiasm spreads and organically grows in startup communities, but it does require careful management to execute well.

Once your people are starting to see results in a new way of working, you need to think long and hard about how you change your management systems to keep up.

Critical will be turning traditional gatekeepers like IT, Legal and HR into enablers who understand managed risk; to upturn traditional funding models towards metered funding which can quantify uncertainty with measures other than dollars; and to give entrepreneurship a seat at the top table as the new system to enable all others.



“Changing company culture requires a movement not a mandate

For organizations seeking to become more adaptive and innovative, culture change is often the most challenging part of the transformation. Innovation demands new behaviours from leaders and employees that are often antithetical to corporate cultures, which are historically focused on operational excellence and efficiency.”

Bryan Walker, Partner & MD at IDEO

GROWTH-AS-A-SERVICE

TAKING RISK OUT OF THE EQUATION

The tools and methods of entrepreneurial management requires specific skills, mentorship, and environments that don't often exist within a corporate's existing buildings. Even if they do, they can often be the cause of internal culture wars as existing staff look to the companies 'innovators' and see it as a sign of innovation can only be created by the anointed few.

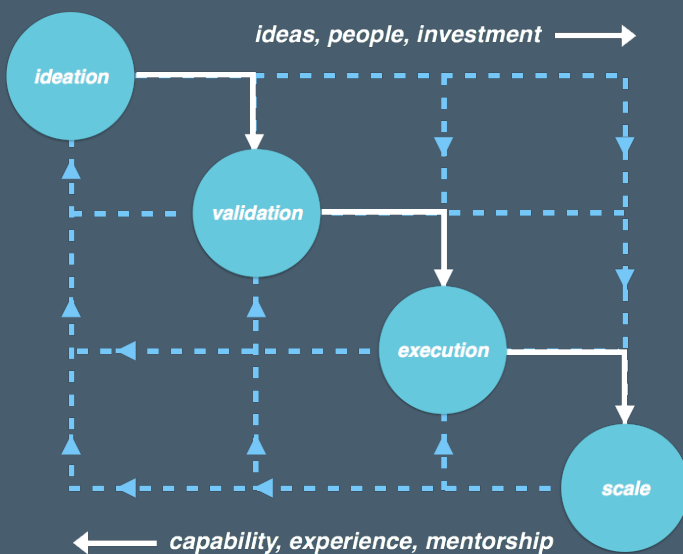
Instead, one solution can tackle risk, execution, & growth in a different way - by outsourcing 'Growth-as-a-Service'.

The challenge for many corporates, is training and build-

ing entrepreneurial teams around new ventures (both ideas and people once identified) to maximise their chances of a breakout venture success.

Using a portfolio investing mindset, we instead identify entrepreneurial thinkers and ideas, incubate them outside of the building, and then use an evidence-based model of metered funding and support to grow the venture using startup talent. This allows it to reach a pre-determined revenue or growth point at which point it makes sense to bring the venture back inside the building once the short-term risk has been removed.

ENTREPRENEURSHIP IS THE NEW BAU



- Increased surface area of innovations tested
- Entrepreneurial business units
- Teams with the agency, authority, & urgency to operate
- Incentivised and empowered as co-founders
- Equity-risk removed from balance sheets

This effectively allows the corporate to derisk many ventures at once (or through a continuous pipeline) without having to carry equity-based risk on their balance sheets, and gives the corporate a clearer view of accounting their future innovation pipeline.

Our model bridges entrepreneurial talent from the startup ecosystem in the early days of transformation. Over time this spins back inside the building to feed their creative and entrepreneurial thinking back into the early-stage idea pipeline and wider organisation as a whole.

For internal employees, this not only gives a growth pathway for high-potential candidates as entrepreneur or mentor, it also provides a personal development roadmap for existing entrepreneurial talent that would have left the building to pursue those routes anyway.

Our Growth-as-a-Service model now provides a way to retain those employees, to focus them on future growth channels, but keep them close to the business using incentive structures that wouldn't be possible inside a traditional organisation.

CONTINUOUS TRANSFORMATION TOWARDS A SCALABLE MODEL

Getting to a model of continuous transformation in your organisation takes time as culture change necessarily has to start in small steps. There are ways to short circuit some of these steps, through education and mentorship, but ultimately you need to find smarter ways to expose your teams not just to start thinking, but startup *doing*.

For both internal and external ventures, the three crucial ingredients of visibility, access, and optionality for venturing success, all build upon each other, through relationships of trust, co-creation, and close partnership over time. For external ventures, the earlier you engage, the more trust and success you'll build in the long term.

Smart corporates outside of NZ are already figuring out how to create long-term continuous transformation in this new way by embedding entrepreneurship into their DNA.

How can you transform your organisation without playing innovation theatre? How can you instead create long-term sustainable growth through building a culture of entrepreneurship in your organisation? How can you build a structured process of venture units today that can turn predictability into the business units of tomorrow?

The answer lies in entrepreneurship, not just innovation.

The 3 Keys To Venturing Success

Visibility - to all relevant on-strategy, adjacent, and potentially disruptive innovations in your field. That means both out in the marketplace, and internal to your own organisation.

Access - once you've got external visibility you need access to them to see how those ventures are really growing. That's easy for internal ventures, but for external ventures, this only comes through building and nurturing a trusted relationship through partnership and mutual growth.

Optionality - now that you can see how they're growing, ensuring you have optionality to capture that upside is key so that you can strategically invest in high-potential breakout growth or acquire ventures that have grown to a market dominating position.



Partner With ZeroPoint Ventures

ZeroPoint Ventures is a network of entrepreneurs, venture capitalists, and accelerator managers who have successfully built and scaled companies.

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We partner with growing enterprises to create a blueprint for continuous innovation and sustainable growth, by installing a 'startup operating system' inside their organisation to provide a new source of always-on, entrepreneurial innovation capability to drive long-term impact and success.

The Central Question For Most Big Corporates Is Not Should We Transform, It's How Can We?

Work with Us in #TheNewWay

Dan Khan

Co-Founder, CEO
dan@0.ventures

Jane Treadwell-Hoye

Co-Founder, Partnerships
jane@0.ventures

For media enquiries

press@0.ventures

For partnership enquiries

partners@0.ventures

Learn more about ZeroPoint Ventures

<https://0.ventures/>

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