HARVARD | BUSINESS | SCHOOL ACCELERATE

How Much Funding Do You Need to Raise?

An HBS Accelerate Workshop

Activity 2 | Identifying Value Inflection Points: Addressing Uncertainties Effectively

The amount of funding you raise ties directly to your startup's value. When your venture can demonstrate an increased probability of success, its value rises and the cost of raising funding—the amount of equity you're required to give up—decreases. Startups increase their probability of success in stages, by addressing core uncertainties. Those stages become your value inflection points.

Choosing which value inflection point (VIP) to target influences how much capital you need raise. The first step in choosing which VIP to target is to identify uncertainties, then determine: **which uncertainties, *when answered*, will increase your startup's value?**

In the activity, you'll:

- Identify 2-3 key uncertainties and develop a plan to address them
- Begin to identify ways to test your uncertainties as efficiently as possible
- Receive feedback on which course of action would yield the most effective results for the cost

Steps:

Work the same partner as Activity 1.	
PART 1: Addressing Uncertainties	
Working independently	Everyone completes Part 1 of the uncertainties sheet.
Working with partner	1. Choose one person to act as Founder and one as Investor first (you will reverse roles later). Founders explain top uncertainties while Investors listen critically and begin feedback sheet. 2. Investors have 1 min to complete feedback sheet. Don't share yet. Founders can elaborate on Part 1 while founders complete feedback sheet. 3. Reverse roles. 4. Investors have 1 min complete feedback sheet. Don't share yet. Founders can elaborate on Part 1 while founders complete feedback sheet. 5. Partner share feedback in a quick discussion (1 min for each). Don't share feedback sheets yet as Investors will complete in Part 2.
PART 2	
Working independently	Read and consider your partner's comments. Then begin to answer
Working with partner	1. Choose one person to act as Founder and one as Investor first. Founders share 3 ideas while partner listens critically and begins feedback sheet. 2. Investor completes feedback sheet. Don't share yet. 4. Reverse roles. 5. Partner completes feedback sheet. Don't share yet. 6. Partners swap feedback sheets and discuss (1 min for each).

PART 1: Identifying Value Inflection Points

Most early stage ventures face common uncertainties surrounding:

PRODUCT
- Can you build a product people want?
- Are customers willing to pay for your product?

CUSTOMER
- Is there a large enough market?
- Can you acquire customers at a reasonable cost?

Typically, startups increase their probability of success in stages, by addressing their core uncertainties. Those stages become your value inflection points.

Think about your own venture. What are the main uncertainties your startup faces? Do they fall within the product and customer categories? Or do you face other major uncertainties? In the space below, list 2-3 of your startup's major uncertainties that, *if answered*, could increase the value of your business.

PART 2 | Testing Your Uncertainties

Select **one** of the core uncertainties you listed in Part 1. What experiments can you run to prove that you overcame that uncertainty? Brainstorm 3 possible ways that you could address your uncertainty. Remember: an ideal experiment will generate significant information and won't cost a lot to execute.

How could you test this efficiently? List 3 ideas for how you could test this idea.
IDEA 1. ***What results would testing in this way generate? What would you learn? What uncertainties could you prove?***
IDEA 2. ***What results would testing in this way generate? What would you learn? What uncertainties could you prove?***
IDEA 3. ***What results would testing in this way generate? What would you learn? What uncertainties could you prove?***

Investor Feedback Sheet

Evaluate your partner's answers to help them determine which idea will most likely increase their probability of success.

PART 1 | Identifying Value Inflection Points by Addressing Uncertainties Effectively
Did the founder identify meaningful uncertainties? Can you think of any additional uncertainties this startup faces?

PART 2 | Testing Your Uncertainties

Idea 1	Effectiveness			
Highly effective Low cost / many Meaningful results	**Mostly effective** Cost worth meaningful information acquired	**Somewhat effective** Mid-range costs/some results	**Marginally effective** More costs to prove less relevant results	**Least effective** High expense for few meaningful results
5	4	3	2	1
Why?				

Idea 2	Effectiveness			
Highly effective Low cost / many meaningful results	**Mostly effective** Cost worth meaningful information acquired	**Somewhat effective** Mid-range costs/some results	**Marginally effective** More costs to prove less relevant results	**Least effective** High expense for few meaningful results
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Why?				

Idea 3	Effectiveness			
Highly effective Low cost / many meaningful results	**Mostly effective** Cost worth meaningful information acquired	**Somewhat effective** Mid-range costs/some results	**Marginally effective** More costs to prove less relevant results	**Least effective** High expense for few meaningful results
5	4	3	2	1
Why?				