GLOSSARY OF TERMS AND KEY CONCEPTS

Before launching into the world of entrepreneurship, you're going to need to add a few terms to your verbal arsenal. Think of these words as more than just vocabulary or jargon – think of them as new ways of conceptualization, planning, and design. It's important to know what these terms mean not just so you can understand what your colleagues say, but so you can understand their creative process.

1. An **A/B test** or **split test** is randomly showing a visitor one version of a page – (A) version or (B) version – and tracking the changes in behavior based on which version they saw. (A) version is normally your existing design or "control," and (B) version is the "challenger" with one copy or design element changed, such as displaying a different headline.

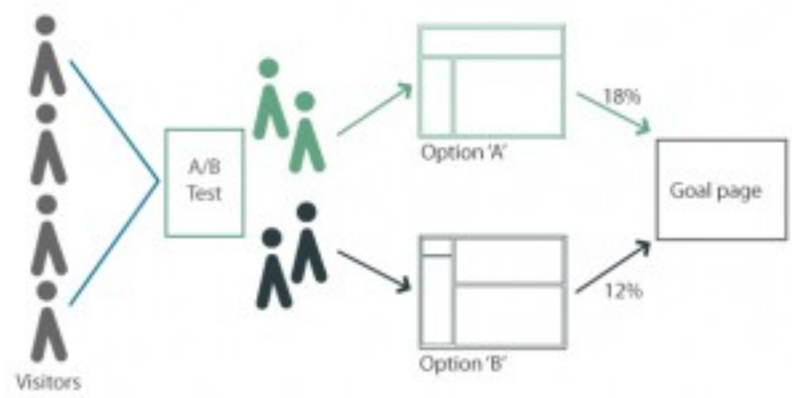

image credit: marketinglifelines.com

A/B Testing is also used to determine which two strategies for selling a brand or service work, based on analytics derived by relationship analysis of landing page results against call for action related to those landing pages.

2. **Actionable metrics,** in contrast to **vanity metrics**, are pieces of data that tie specific and repeatable actions to observed results. Actionable metrics lead to informed business decisions and subsequent action. While vanity metrics, like website hits or number of downloads, don't offer insight into how something happened or what to do next, actionable metrics do. However, vanity metrics such as website hits can be used as actionable metrics if measured within the context of an **A/B test**.

3. **Agile development** is an **iterative** and incremental approach to project management. Tasks are broken down into smaller tasks, which can be created or changed without breaking the entire system. This lets developers respond quickly to

changing requirements and leads to more frequent releases without additional cost. Rather than completely specifying all details up front, this naturally leaves definition of detail to the last possible moment. The processes associated with agile development allow teams to move rapidly to new territory, and to make fewer mistakes on the way.

4. An **angel investor** or angel, also known as a business angel or informal investor, is an affluent individual who provides capital for a business **startup,** usually in exchange for convertible debt or ownership **equity**. A small but increasing number of angel investors organize themselves into angel groups or angel networks to share research and pool their investment capital, as well as to provide advice to their portfolio companies.

5. In business, **bootstrapping** means starting a business without external help or capital. Such **startups** fund the development of their company through internal cash flow and are cautious with their expenses. Generally at the start of a venture, a small amount of money will be set aside for the bootstrap process. **Startups** can grow by reinvesting profits in their own growth if bootstrapping costs are low and return on investment is high.

6. **Brainstorming** is a group or individual creativity technique by which efforts are made to find a conclusion for a specific problem by gathering a list of ideas spontaneously contributed by its member(s). Though not originally intended at its creation, the term is currently used as a catch-all for group **ideation** sessions.

7. **Build-Measure-Learn** is a feedback loop that visualizes the process entrepreneurs use to continually improve their product. The diagram shows how startups turn ideas into products, measure how customers respond, learn whether to pivot or persevere, and then repeat the process. All successful startup processes

should be geared to accelerate that feedback loop.

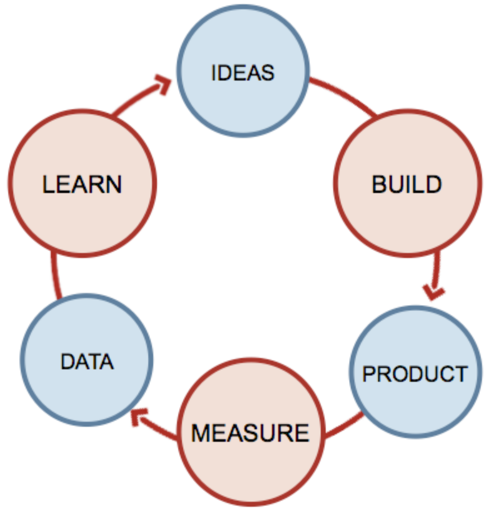

image credit: http://lean.st/principles/build-measure-learn

8. **Burn rate** is the rate at which a new company uses its **venture capital** to finance overhead before generating positive cash flow from operations. It can also be thought of as negative cash flow. Burn rate is usually quoted in terms of cash spent per month. When the burn rate begins to exceed forecasts, or revenue fails to meet expectations, the usual recourse is to reduce the burn rate. In many companies, reducing the burn rate means reducing staff.

9. A **business model** is the plan implemented by a company to generate revenue and make a profit from operations. The model includes the components and functions of the business, as well as the revenues it generates and the expenses it incurs. For example, a restaurant's business model is to make money by cooking and serving food. A website's business model might not be so clear, as there are many ways in which online companies can generate revenue. Some might make money by providing a free service and then selling advertising to other companies, while others may sell a product or service directly to online customers.

10. A **business plan** is a written document that describes in detail how a new business is going to achieve its goals from a marketing, financial and operational viewpoint. The purpose of a business plan is to enable owners to have a defined picture of potential costs and drawbacks to business decisions and to help them modify accordingly before implementing these ideas.Typically, a business plan also includes a description of a company or small business, its services and/or products, the overall budget, current and projected financing, a market analysis and its marketing strategy approach. In a business plan, a business owner also projects

revenues and expenses for a certain period of time and describes operational activity and costs related to the business.

11. **Creative intelligence**, according to Bruce Nussbaum, is “the ability to frame problems in new ways and to make original solutions. It’s about more than thinking; it is about learning by doing and learning how to do the new in an uncertain, ambiguous, complex space--our lives today.”

12. **Crowdfunding** is the use of small amounts of capital from a large number of individuals to finance a new business venture. Crowdfunding has the potential to increase entrepreneurship by expanding the pool of investors from whom funds can be raised beyond the traditional circle of owners, relatives and venture capitalists. This style of funding makes use of the easy accessibility of vast networks of friends, family and colleagues through social media websites like Facebook, Twitter and LinkedIn to get the word out about a new business and attract investors. See Kickstarter.com

13. **Design thinking** is a creative problem-solving methodology and a collection of behaviors at the heart of creativity. Some of the behaviors of design thinking include being attuned to the people and culture you are immersed in and having the experience, wisdom, and knowledge to frame the real problem and the ability to create and enact solutions.

14. An **elevator pitch** is a brief speech that outlines an idea for a product, service or project by explaining the features, benefits and cost savings, with the goal of convincing the listener the idea is worth investment. The name comes from the notion that the speech should be delivered in the time period of an elevator ride, usually 20-60 seconds. In the financial world, an elevator pitch refers to an entrepreneur or project manager's attempt to convince a venture capitalist that a business idea is worth investment, but it is also used by salespeople and jobseekers to market themselves or their ideas.

15. In finance, **equity** is ownership in any asset after all debts associated with that asset are paid off. For example, a car or house with no outstanding debt is considered the owner's equity because he or she can readily sell the item for cash. Stocks are equity because they represent ownership in a company. However, the specific definition of “equity” varies contextually. Here are three definitions:

    1. A stock or any other security representing an ownership interest.
    2. On a company's balance sheet, the amount of funds contributed by the owners (the stockholders) plus the retained earnings (or losses).

3. In terms of investment strategies, equity (stocks) is one of the principal asset classes. The other two are fixed-income (bonds) and cash/cash-equivalents. These are used in asset allocation planning to structure a desired risk and return profile for an investor's portfolio.

16. **Failing forward** is about leveraging mistakes. Rather than allowing a failure to be a completely negative experience, learning to fail forward means making a realistic assessment of risks and developing the ability to build achievements from mistakes and experiment with new approaches.

17. **Groupthink** is a phenomenon marked by the consensus of opinion without critical reasoning or evaluation of consequences or alternatives. In a business setting, groupthink can cause employees and their bosses to overlook potential problems in the pursuit of consensus thinking. When individual critical thinking is deemphasized or frowned upon, employees may self-censor themselves and not bring up alternatives or risks for fear of upsetting the status quo.

18. **Ideation** is the creative process of generating, developing, and communicating new ideas. Ideation is all stages of a thought cycle, from innovation, to development, to actualization.

19. An **incubator** or **accelerator** is a program designed to support the successful development of entrepreneurial companies through an array of business support resources and services offered both in the incubator and through its network of contacts. Incubators vary in the way they deliver their services, in their organizational structure, and in the types of clients they serve. Successful completion of a business incubation program increases the likelihood that a startup company will stay in business for the long term: older studies found 87% of incubator graduates stayed in business, in contrast to 44% of all firms.

20. **Integrative thinking** is a decision-making process in which an individual balances tensions between opposing variables. In general, integrative thinking follows a four-step process.

1. *Salience* seeks to define the relevant aspects of a problem.
2. *Causality* determines the relationships between parts of the problem.
3. *Architecture* involves the creation of a model that outlines the relationships defined in the previous two steps.
4. *Resolution* outlines the decision and how it was reached.

   The process is similar to a feedback loop in which each step links forward to the next step as well as backwards to the previous step.

21. An **intrapreneur** is an inside entrepreneur, or an entrepreneur within a large firm, who uses entrepreneurial skills without incurring the risks associated with those activities. Intrapreneurs are usually employees within a company who are assigned a special idea or project, and are instructed to develop the project like an entrepreneur would. Intrapreneurs usually have the resources and capabilities of the firm at their disposal. The intrapreneur's main job is to turn the special idea or project into a profitable venture for the company.

22. To **iterate** in a project context means to develop and deliver incremental components of business functionality, product development or process design. Iterative development is most often associated with **agile development**. A single iteration results in one or more small but complete packages of project work that can perform some tangible business function. Multiple iterations recurse to create a fully integrated product.

23. A **mind map** is a diagram used to visually outline information. A mind map is often created around a single central word or text to which associated ideas, words and concepts are added. Major categories radiate from a central node, and lesser categories are sub-branches of larger branches. Categories can represent words, ideas, tasks, or other items related to a central key word or idea.

image credit: http://www.answers.com/topic/mind-map

Other terms for this diagramming style are: "spider diagrams," "spidergrams," "spidergraphs," "webs", "mind webs", or "webbing", and "idea sun bursting."

24. A **minimum viable product (MVP)** is the version of a new product which allows a team to collect the maximum amount of validated learning about customers with the least effort. The goal of an MVP is to test fundamental business hypotheses as quickly as possible. Example: Zappos founder Nick Swinmurn wanted to test the hypothesis that customers would buy shoes online. Rather than build a website and a large database of footwear, Swinmurn approached local shoe stores, took pictures of their inventory, posted the pictures online, bought the shoes from the stores at full price, and sold them to customers through his website. Through this process, Swinmurn deduced that customer demand was present, and concluded that he had a viable business idea.

25. When a software program is **open source,** it means the program's source code is freely available to the public. Unlike commercial software, open source programs can be modified and distributed by anyone and are often developed as a community rather than by a single organization.

26. According to Eric Ries, a **pivot** is a "structured course correction designed to test a new fundamental hypothesis about the product, strategy, and engine of growth." When Groupon first started, it was an online activism platform called The Point. After receiving almost no traction, the founders opened a WordPress blog and launched their first coupon promotion for a pizzeria located in their building lobby. Although they only received 20 redemptions, the founders realized their idea was significant, and successfully empowered people to pursue a new **business plan**. As a result of acting on this pivot, three years later, Groupon grew into a billion dollar business.

27. A **prototype** is an early sample or model built to test a concept or process or to act as a thing to be replicated or learned from. A prototype is designed to test and trial a new design to enhance precision by system analysts and users. Prototyping serves to provide specifications for a real, working system rather than a theoretical one.

28. **Scalability** is the idea that a solution can be extended beyond a small, local group to serve a large, broad group. Typically, scale implies spread across geographic boundaries, often into new countries. Implicit in a push for scale is the idea that a solution can be generalized; the goal is often breadth of impact, but also streamlined production, distribution, and a minimization of costs.

29. A **startup** is a company or organization in the first stage of its operations designed to search for a repeatable and scalable business model. These companies are often initially supported by outside investors through **venture capital** as they attempt to capitalize on developing a product or service for which they believe there is a demand.

30. **Synthesis** is combining separate elements or components in order to form a coherent whole.

31. **Vanity metrics** are just what they sound like -- pieces of data that make you feel good, such as new users gained per day or number of downloads. As opposed to **actionable metrics,** vanity metrics give "the rosiest picture possible," but do not accurately reflect the key drivers of a business. It's important to remember to never act on vanity metrics alone. For example, while a high number of users gained per day seems beneficial to any company, if the cost of acquiring each user through expensive advertising campaigns is significantly higher than the revenue gained per user, then gaining more users could quickly lead to bankruptcy.

32. **Venture capital** is money provided by investors to **startups** and small businesses with perceived long-term growth potential. This is a very important source of funding for startups that do not have access to capital markets. Venture capital can also include managerial and technical expertise. Most venture capital comes from a group of wealthy investors, investment banks and other financial institutions that pool investments or partnerships. The downside for entrepreneurs is that venture capitalists usually get a say in company decisions, in addition to a portion of the **equity**.

33. **Waste** is any human activity which absorbs resources but creates no value.

34. A **wicked problem** is difficult or impossible to solve because of incomplete, contradictory, and changing requirements that are often difficult to recognize. The term 'wicked' is used, not in the sense of evil but rather its resistance to resolution. Moreover, because of complex interdependencies, the effort to solve one aspect of a wicked problem may reveal or create other problems. Wicked problems are also characterised by the following:

    1. The solution depends on how the problem is framed and vice-versa.
    2. Stakeholders have radically different world views and frames for understanding the problem.

3. The constraints of the problem and the resources needed to solve it change over time.
4. The problem is never solved definitively.

Design problems are typically wicked because they are often ill defined with no clear way forward, involve stakeholders with different perspectives, and have no "right" or "optimal" solution. Wicked problems cannot be solved using standard methods; they demand creative solutions.

35. A **website wireframe**, also known as a page schematic or screen blueprint, is a visual guide that represents the skeletal framework of a website. The wireframe depicts the page layout or arrangement of the website's content, including interface elements and navigational systems, and how they work together. The wireframe usually lacks typographic style, color, or graphics, since the main focus lies in functionality, behavior, and priority of content; it focuses on what a screen does, not what it looks like. Wireframes can be pencil drawings or sketches on a whiteboard, or they can be computerized.