

# THE MINIMUM VIABLE COMPANY

**The (bumpy) road from a prototype  
to a profitable company**



## INTRO

The **understanding of innovation** has **changed** to a great extent over the last 10 years. Most corporate innovation departments have adapted innovation methodologies to run their ideas through a (more or less) functioning process from the initial idea to a first (hopefully validated) prototype (MVP).

They **work with known methods** such as the Lean Startup by Eric Ries, Business Model Generation by Alexander Osterwalder or Design Thinking / Human Centered Design Templates by IDEO. Many useful tools, methods and processes are established in finding new ideas for business models or products, and most of the teams manage to validate them quickly at an early stage.

So far, so good. But what happens next?

As a next logical step, many innovation teams **rise capital** on the internal or external market to dive into the next phase, namely scaling their product or service. But many overlook that to successfully scale, they **need** to have basic, **functioning processes**.

We call that the **Minimum Viable Company**. This stage is often skipped. Therefore, teams attempt to scale their company too early and fail miserably, as the growth is not sustainable.

## ABOUT THE AUTHORS



### FRANZISKA KORN

Franziska has many years of hands-on experience in consulting DAX30/MDAX companies as well as SMEs in her field of expertise, namely: Innovation Strategy, Corporate Innovation and Service Design. She has a strong international project background and a deep understanding of cross-industry requirements.



### DR. STEFAN PERKMANN BERGER

Stefan has more than 10 years of experience in supporting established companies to innovate. He believes in a hands on attitude and supported numerous teams in bringing their ideas to success. Stefan is our driving force behind our WhatAVenture company builder and is continuously looking for opportunities to launch new ventures.



## WHAT YOU WILL LEARN

- 01** What is meant by a Minimum Viable Company
- 02** The main differences between the MVP and MVC phase
- 03** How to manage the transition from MVP to MVC
- 04** How not to overlook the MVC phase

This paper will provide you with an overview of the MVC startup phase and its key success factors. We will try to provide answers to the following question:

How do you manage the transition from a validated prototype to a functioning company moving towards break-even, which is able to fulfill the promised value proposition with a positive contribution margin?

# 01

## THE MINIMUM VIABLE COMPANY

This is the **stage** when a startup company is **able to deliver its value** proposition, which is **sustainable for that company** and for its clients. The company does not have to be profitable yet but must at least cover its costs up to the contribution margin.



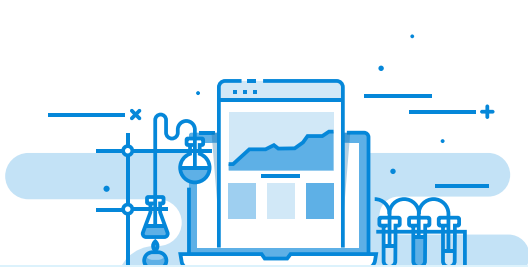
“Founders who can tune out the latest tweet cycle regarding what is needed for Series A and can, instead, focus on the nature of their own business, will find that the product market fit is more predictable and therefore, discoverable. On the other hand, founders who focus first on growth without knowing the basic ingredients of their minimum viable company, are more likely to fuel an addictive and destructive cycle around the fake growth of their business.”

- Ann Miura-Ko, 2019

A minimum number of processes must be implemented in order to fulfill the value proposition:

- ✓ a clear understanding of the costs of the product / service
- ✓ a clear understanding of the essential operational processes to deliver the product / service to the customer (from initial request to production and delivery)

# THE MAIN DIFFERENCE BETWEEN THE MVP AND THE MVC PHASE



The **Minimum Viable Product** is a phase defined by Frank Robinson and later by Eric Ries and Steve Blank, as the version of a new product that allows a team to collect the **maximum amount** of validated **learning about customers** with the **least amount of effort**.

The MVP covers the first market and client needs, with minimal features that are still being iterated.

The following chart shows the **significant differences between the two stages** of a Minimum Viable Product and a Minimum Viable Company, which is ready to scale.

# MVP VS. MVC

## MINIMUM VIABLE PRODUCT

Speed over perfection – high speed is the ultimate goal

Fast iteration based on innovation accounting: using relevant metrics

Focus on the user and the product / service

Strategy is based on assumptions

Quantity: learn as much and as quickly as possible, the prototype is not meant to be perfect

Pivot or Preserve: test different features of the value proposition and undertake leaps of faith

Find partners and first suppliers quickly to build the first products

Team: recruit enthusiastic team members that are eager to test the idea with real people

Follow the iterative process of build-measure-learn – no internal processes are yet established within the team

## MINIMUM VIABLE COMPANY

Product or service must be true to its core value offering to the client

Definition of relevant KPIs to measure the objectives for growth

Focus on the business: working processes must be formed around key concepts

Strategy is based on first market experiences, resources, real data and knowledge of the market to boost the growth strategy

Quality: a high service standard is key to positive customer feedback – this will help market the service / product

Focus on the most promising and relevant features and a clear value proposition for the customer

Select the right partner and supplier and negotiate a contract

Team: have experts on board. In terms of supply chain management, more experienced people are required to assist with scaling

Lean processes are necessary to ensure improved internal communication, as well as more efficiency and effectiveness in relation to the customer

# 02 THE TRANSITION PERIOD FROM MVP TO MVC AND ITS MAJOR RISKS

Most of us will agree, that during the early stages of the innovation process, there is a clearer blueprint to follow. Companies and corporate teams have a clear set of tools and gates of decision-making to pass. Further along the process, the blueprint becomes more blurred, due to the more individualized approach needed. This fuzzy stage reaches its peak between the MVP and the process of scaling the business model – the transition period: total freedom and fast validation vs. lean processes in order to scale.

Besides the fuzzy feeling, what is the actual problem here? Quite a significant one in terms of scaling and therefore, fueling a process of fake growth with the right team, processes, and knowledge in place. In addition, this needs to be done in a sustainable manner.

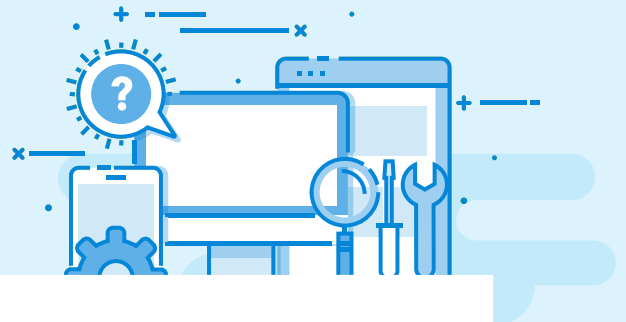
## THE RISKS OF OVERLOOKING THE MVC PHASE AND THEREFORE, SCALING TOO EARLY:

- ✗ scaling or multiplying tasks that work on a small scale only OR even do not work yet (Example: if two windows in a tiny house are not waterproof, this can be managed, if 50 have a problem and you need to order replacements, you are insolvent)
- ✗ focusing too late on the company ethos by not establishing strategic and commercial thinking
- ✗ scaling nonfunctioning internal processes
- ✗ scaling with a team that does not have the necessary skills
- ✗ no clear focus on the value proposition
- ✗ the value proposition cannot be fulfilled (service / product cannot be delivered to the customers)
- ✗ introducing unproven methods into the business case of one's own company with the risk of making poor decisions

**The risk of overlooking the MVC phase can be fueled by early stage investments: sometimes they mask problems that have already occurred. The pressure to solve these problems is minimal, as the investment balances the actual problem AND the investors bring pressure to scale. Therefore, the actual problem is recognized too late.**

# 03

## HOW TO SET UP AN EFFECTIVE MVC



### INITIAL QUESTIONS

As a team member or team lead, it is important to understand in which phase the corporate startup is. This short check list provides certain initial questions aimed at focusing the company on the MVC.

- ☐ What is the actual goal in this phase: validation and feature definition or scaling?
- ☐ What actual costs do we have?
- ☐ Am I or my team experienced in:
  - ☐ Supply chain management
  - ☐ Negotiation with and selection of suppliers
  - ☐ Sales and marketing
  - ☐ Accounting
  - ☐ Growth strategy development
- ☐ Do we have mid-term liquidity planning?
- ☐ How much money is already tied to goods / purchased parts needed for production

### INTERNAL CHANGES

Once understood and focused on your own company, the transition into a Minimum Viable Company is coming along with certain internal changes:

- ☐ Transition from short term planning and high flexibility towards a longer planning horizon
- ☐ Early and serious supply chain management
- ☐ Additional and different team members / experts with the respective knowledge
- ☐ Set up a lean process and more clear roles for the team members in order to leave the pure build-measure-learn cycle
- ☐ Reduction of risks like:
  - ☐ Wrong / poor contracts with partners / suppliers
  - ☐ Assembly of faulty parts
  - ☐ Security Breaches
- ☐ A growths strategy towards the next phases and investments (meaning: the right KPIs, a defined target market, a clear value proposition, tracking of results, studying the competition, financial planning, smart hiring system, etc.)



# WHY DOES THIS HELP THE COMPANY GROW?

- ✓ clear processes form clear responsibilities and better internal communication to deliver the promised value to the customer, based on a functioning process and not based on luck
- ✓ more stable and predictable liquidity planning
- ✓ effective supply chain management aimed at being more efficient
- ✓ a fitting selection of suppliers including the shrewd negotiation of prices
- ✓ potential for production forecasts although the first round of products has not yet been delivered
- ✓ support given to B2B clients in terms of the marketing of the product or service. The goal is an exceptionally high service level to ensure customer satisfaction
- ✓ optimization of the sales and marketing process based on initial customer feedback



# 04 CORPORATE INNOVATION AND THE TRANSITION TO AN MVC

Corporate innovation departments or employees in the corporate world might regard this as an oxymoron. For months or years, teams are trained to embark upon new ventures and use iterative methods, focusing on clients and their feedback in relation to the new idea, increasing the pace and entering the market with early stage prototypes, as a means of understanding and iterating.



## AND NOW:

after all the effort that went into the process from the initial idea to the MVP, does successfully scaling a new business idea only work by implementing processes that corporates simply pull out of their hats (supply chain management, forecasting, liquidity planning, etc.)?

## NO.

The Minimum Viable Company is **still a startup**. Therefore, it is imperative **not to slow it down with processes**, but to **implement the correct balance** of internal structures to increase effectiveness and efficiency. Surely, team members with the respective corporate background should have more expertise in relation to certain processes, yet still need to be aware of potential dangers and should remain informed of market conditions and stay a speedboat.

## DO YOU WANT TO KNOW MORE ABOUT HOW TO SET UP AN EFFECTIVE MINIMUM VIABLE COMPANY?

### CONTACT US.

The whole process of managing the transition from a validated prototype to a functioning company is not a smooth one and it can come with challenges. This approach can be followed with varying levels of effort.

Do you want to know more about this approach or how we could support you?  
Schedule a free strategy call.

[franziska@whataventure.com](mailto:franziska@whataventure.com)

[Schedule a call](#)



#### About WhatAventure

WhatAventure is an international full-service innovation consultancy based in Austria, Germany and Italy. It has been shaping Intrapreneurship, Entrepreneurship and Open Innovation for more than seven years. It empowers corporate innovation teams and startups to accelerate their business ideas in a successful and sustainable way and executes and validates their innovation projects. The focus of our work is the combination of corporate power with startup agility.

Our client base ranges from energy suppliers, banks, transportation, and IT companies, to aid organizations and international universities.

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