

# **THE START-UP PUZZLE**

**How To Create  
A Successful  
New Business Venture**

**ROBERT VAN PAPPELENDAM**

Academic Contribution by Dr. Joris Meijaard - Erasmus University Rotterdam

The Start-Up Puzzle

Copyright © 2024 by Robert van Pappelendam. All rights reserved.

No part of this book may be used or reproduced in any manner whatsoever without written permission, except in the case of brief quotations embodied in critical articles and reviews. For more information, e-mail all inquiries to [info@mindstirmedia.com](mailto:info@mindstirmedia.com).



**MINDSTIR MEDIA**

Published by MindStir Media, LLC

45 Lafayette Rd | Suite 181 | North Hampton, NH 03862 | USA

1.800.767.0531 | [www.mindstirmedia.com](http://www.mindstirmedia.com)

Printed in the United States of America.

ISBN-13: 978-1-965340-31-8 Paperback

978-1-965340-32-5 Hardcover

# CONTENTS

Prologue.....	vii
Introduction.....	ix
The Start-Up Puzzle.....	1
Puzzle Piece 1: The Context and Opportunity .....	3
Puzzle Piece 2: Mission.....	7
Puzzle Piece 3: Unique Product and Brand .....	13
Puzzle Piece 4: A Reason to Believe .....	21
Puzzle Piece 5: Value Proposition .....	25
Puzzle Piece 6: The “Where to Play/How to Win” Choices .....	27
Puzzle Piece 7: Business Planning and Funding.....	31
Puzzle Piece 8: Talent, Organization & Culture.....	37
Puzzle Piece 9: Enablers of Success.....	41
Academic perspective .....	45
Questions & Answers .....	53
Acknowledgments.....	61
Disclaimer .....	63
General References.....	65
Academic References.....	67
About The Authors .....	73



*“Let’s inspire and motivate the next generation,  
with at least the same passion and commitment as  
we had the privilege to experience ourselves”*

(Robert van Pappelendam 2024)



# PROLOGUE

**GIVEN MY BACKGROUND** as a law graduate, let me start with a disclaimer: This guide doesn't pretend to cover every element of new business creation and entrepreneurship. It is also not meant to be an academic publication or research summary. It aims to give a practical birds-eye overview of the common factors & deliverables that successful start-ups seem to have focused on. The pieces of the puzzle or the academic framework are not meant to become a tick-the-box exercise but instead offer a holistic view to aid understanding of the key drivers of building successful enterprises. We have chosen and named the different pieces of the puzzle as we felt fit based on our own experiences in the start-up and scale-up world as founders, board members, advisors, angel investors, or acquirers of start-ups and scale-ups. We thus accept that our puzzle pieces will stem from our subjective biases, yet hope the simplification we have tried to capture will aid the understanding of the whole process of starting a new venture. We will leave it to academia to properly define the appropriate definitions, models, and frameworks of the start-up phases. We hope this guide will help entrepreneurs make choices about where they want the magic and/or superpowers of their start-up to be. On top of our own experiences, we held interviews with serial entrepreneurs, academics, private equity, investment banking, and other subject matter experts, with jointly more than 300 years of experience with start-ups & scale-ups. We hope their unique perspective will not only aid the understanding but also serve as an inspiration from those who live and breathe start-ups day in, and day out.

## THE START-UP PUZZLE

We have chosen this condensed practitioner's format as we ourselves also would not have the time or patience to read multiple four-hundred-page business books to get a big-picture overview of what constitutes a successful start-up journey. Furthermore, we hope the practical examples will inform and inspire how to overcome certain challenges and navigate opportunities entrepreneurs will likely be confronted with during their start-up journey. We believe this practitioner guide can also offer food for thought for more established businesses, as most of the reflections and observations hold for businesses in general, not just start-ups.



# INTRODUCTION

**MOST PEOPLE HAVE** great admiration for people who have a unique gift of seeing opportunities to address consumer problems, have the creativity and problem-solving ability to go about conceiving the solution, and have the stamina to make it happen when the odds are against them: entrepreneurs! The initial inspiration for this practitioner's guide was a statistic that is hard to wrap your mind around, especially as a supporter of business entrepreneurship: **the success rate of start-up companies is roughly 10 percent across industries across the globe**<sup>i</sup>. Among the worst industries are digital healthcare start-ups, with a failure rate of a whopping 98 percent, with half of the start-ups folding within the first two years of launching. Crypto and blockchain start-ups do not do much better with a failure rate of 95 percent. There are a few exceptions. For instance, the gaming industry has a 50-percent success rate, probably the highest among them all<sup>ii</sup>.

Start-ups may not add much to economic growth in their inception, but they are crucial because all big companies started as start-ups once. An iconic example visualizing the small, bootstrapped start-up is the picture of Steve Wozniak and Steve Jobs looking at their first Apple kit in the garage of Jobs' family home. Fun fact: the garage was designated as a listed historical site in 2013, joining the garage where computer company Hewlett-Packard was founded in the neighboring town of Palo Alto. Furthermore, we must spend sufficient time to understand the drivers and barriers to a successful start-up, because the investments in start-ups are significant. According to Microsoft, there are more than 150 million start-ups globally<sup>iii</sup>. Think about

## THE START-UP PUZZLE

how many resources (human and capital) are involved! The number of start-ups that are profitable in their first year of business is almost zero, hence a significant need for capital. If start-ups go through an incubator period, the success rate dramatically improves. Although incubators exist in many shapes and forms and the level of support and resources each incubator provides can vary greatly, claimed failure rates can come down to as low as 20 percent. This indicates that with the proper knowledge, capability, coaching, and talent, one can learn how to increase their success rate. This is why we were excited to pull together this practitioner guide. Think of it as an incubator in your pocket.

Back to today's reality, 90 percent of people start an enterprise because they passionately believe in the product or service they've created like it's their baby, yet they are not likely to succeed in realizing this dream. Are they just unlucky, not disciplined enough, or simply not very good businesspeople? In our experience, it struck us that most successful start-ups followed a similar process. You might call each similarity a different piece to the puzzle they put together on the road to success. Although many tools and analyses exist today with different labels and titles, we saw an opportunity to pull a condensed practitioner's guide together in which we summarize the big themes and commonalities we have seen with successful start-ups. By no means does this mean there are no other routes to success, but hopefully this route can help aspiring entrepreneurs think through how they can go about their start-up journey. We hope that awareness of the different pieces of the puzzle, the tools we reference, examples, and practical tips we offer will help start-ups improve their success rate. Today's start-ups are tomorrow's big employers and cornerstones of our economy, and thus they are our insurance policy for a safe and happy retirement! Just to dimensionalize the importance: research by the Erasmus Center for Entrepreneurship revealed that in 2022, the Top 250 Growth Companies in the Netherlands created 50,000 new jobs, which is roughly 10% of all new jobs created according to Dutch Central Bureau of Statistics (CBS). Importantly, we do think the framework and its content as proposed in this publication can be insightful and applicable to existing businesses as well. However, its practical application will likely depend on how open to change the teams in

## INTRODUCTION

these established businesses are. In a start-up, there is no clear direction or set way of working, and all team members aim to discover the formula. It is often much harder to drive change in an organization that has experienced success with a certain formula; just like changing a habit is challenging in life, it is also challenging in business! How often do you change your driving route to and from the office?

What further drives our fascination for start-ups, is that they are likely the breeding ground of a much-needed re-imagining of how we organize and manage to govern a business and get any job done. Fundamentally, the way we run and organize ourselves to get a job done has not evolved in the past 100 years. Compare organizational charts' evolution and look past the explosion of fancier titles. This might be one of the reasons that hampers progress, or why we seem to be stuck in waiting for the next big wave of progress: in politics, government, or business. What deeply fascinates me is how we go about creating new ways to organize ourselves to support societies to develop themselves in business, in government, and wherever. I think it's time to re-imagine the whole ecosystem and how to get jobs done vs. optimizing the narrow jobs like innovation, procurement, R&D, etc. Start-ups, because they have no set way of operating, can and should experiment and learn from some of these models. Even in big companies, embracing more of a start-up mentality will likely create the seeds for the next (industrial) revolution! Before COVID, we could never envision a world where working from home was the norm, and look where we are today. The time is ripe for more disruption.

But before we get carried away with structure and process, we should first and foremost acknowledge that creating a successful start- or scale-up is all about people! Hence, we will touch on the importance of founder characteristics and finding the right talent profile to help create an organization to get the journey off the ground, as one of the biggest enablers of success. If you thrive working in bigger organizations, are used to sharing responsibilities, consider yourself to be a generalist, and prefer balance, you will likely struggle in a start-up environment. Getting a business venture off the ground requires hyper-focus, a religious belief in the mission, an incredible drive, a keen eye for what consumers want, and last, a natural and persistent stubbornness to push the business through every obstacle

## THE START-UP PUZZLE

you face. If you are interested in reading more about the core skills needed for successful founders, the book *The Creator's Code: The Six Essential Skills of Extraordinary Entrepreneurs* by Amy Wilkinson gives a good overview. The author concludes that entrepreneurial success is born of daring and discipline along with six skills she identifies that were proven effective in a variety of endeavors and industries:

1. Find the gap: Spot opportunities that others don't see.
2. Drive for daylight: Manage speed by focusing on the horizon.
3. Fly the OODA loop: Master Fast-Cycle Iteration to observe, orient, decide, and act.
4. Fail wisely: Set a failure ratio and hone resilience.
5. Network minds: Harness cognitive diversity to build on each other's ideas.
6. Gift small goods: Unleash generosity to increase productivity.

Although we have cut the whole start-up journey into pieces of a puzzle, this does not mean the weight and order of the pieces are equal and linear in every venture or industry. We created the puzzle to identify the different deliverables and outline the forces at play, not to portray it as linear gameplay or to replicate reality. For instance, when a founder personally experiences the problem they are trying to solve, they likely will not need to spend time and money on the context, opportunity, and mission of the start-up, as they are living it every day! A great example is the founders of **Nutrafol** (founded in 2016), who all experienced severe hair loss and were unwilling to shoulder the side effects of a pharmaceutical solution—which comes with strongly reduced sexual desires and mental instability. It is estimated that globally 110 million people are suffering from hair thinning, a massive and underserved market. The founders believed supporting your body's biology with uniquely curated vitamins, minerals, and nutrients, will give you a potent and efficacious solution to tackle the biggest root causes of hair loss, yet with less invasive side effects. In short, these people design their start-ups first and foremost for themselves. In addition, the founders, who had a strong vision of the problem they aimed to solve, spent very little time understanding

## INTRODUCTION

the consumer or mission of their start-up but first focused on creating the desired promise, solution, and brand. In May 2022, Unilever announced they took a majority stake in Nutrafol, with media reports putting the brand's valuation at around \$1 billion.

The 9 puzzle pieces are by no means covering all aspects of the start-up journey, yet these felt like the mission-critical building blocks of the start-up journey. Hence the separation and number of the Puzzle Pieces to a successful start-up is merely meant to visualize the mission-critical building blocks of the start-up journey. The order in which you want them to appear is less important.

Let's go!!

