An important goal of the fail fast philosophy is to avoid the sunk cost effect, which is the tendency for humans to continue investing in something that clearly isn't working because it's human nature for people to want to avoid failure. Failing fast seeks to take the stigma out of the word "failure" by emphasizing that the knowledge gained from a failed attempt actually increases the probability of an eventual success.

5. Funding options: never use your own capital in the pursuit of opportunities ⟶ 4F = Founder's, Family, Friends, Fools. Alternative financing options include:

- **seed investors** (VC) ⟶ The initial funding used to begin creating a business or a new product. Obtaining seed capital is the first of four funding stages required for a startup to become an established business. It can be a relatively modest sum of money and might come from the founder's personal assets, friends, or family. It generally covers only the first essentials such as a business plan and initial operating expenses. The goal at this point is primarily to obtain more financing, and that means attracting the interest of venture capitalists or banks. Neither is inclined to invest large amounts of money in a new idea that exists only on paper unless it comes from a successful serial entrepreneur.

- **Angel Investor** ⟶ Professional angel investors sometimes provide seed money either through a loan or in return for equity in the future company. They often enjoy a hands-on role in helping develop a company from scratch.

- **LBO** ⟶ A leveraged buyout (LBO) is the acquisition of another company using a significant amount of borrowed money to meet the cost of acquisition. The assets of the company being acquired are often used as collateral for the loans, along with the assets of the acquiring company.

6. Lean Startup Methodology: The lean startup is a method used to found a new company or introduce a new product on behalf of an existing company. The lean startup method advocates developing products that consumers have already demonstrated they desire so that a market will already exist as soon as the product is launched. As opposed to developing a product and then hoping that demand will emerge.

1. The process of developing a product or company based on the expressed desires of the market.
2. Uses validated learning, which is a process by which companies assess consumer interest.
3. Focuses heavily on customer related information such as customer churn rate, lifetime customer value, and product popularity.
4. Experimentation is favored more than adherence to a rigid plan.
5. Involves the release of small form or early concept products in order to assess the customer reaction to the product.

7. 6 Σ Methodology: Six Sigma is a quality-control methodology developed in 1986 by Motorola, Inc. The method uses a data-driven review to limit mistakes or defects in and process. Six Sigma emphasizes cycle-time improvement while at the same time reducing manufacturing defects to a level of no more than 3.4 occurrences per million units or events. In other words, the system is a method to work faster with fewer mistakes. Six Sigma points to the fact that, mathematically, it would take a six-standard-deviation event from the mean for an error to happen. Because only 3.4 out of a million randomly (and normally) distributed, events along a bell curve would fall outside of six-standard- deviations (where sigma stands in for "standard deviation").

ASSIGNMENT FOR THE NEXT CLASS - ANSWERS