

Starting New Ventures

Review summary sheet for Exam 1 –Chapters 1-6

Cases:

- ILINC LearnLinc
- ScriptPad
- Segway
- Tommy John
- Kazoo
- d.light
- Panera Bread
- Uber
- Dell
- NetFlix

Ch. 1-Intro. to Entrepreneurship/Entrepreneurs

Define Entrepreneurship, Corporate Entrepreneurship, Social Entrepreneurship

Characteristics of the Entrepreneur, Myths of Entrepreneurship

Passion, Product focus, Tenacity despite failure, Execution Intelligence

Schumpeter- Creative Destruction

Clayton Christenson: Disruptive Innovation, Disruptive Technology, Creative disruption

Entrepreneurial Firms, Lifestyle Firms, Salary Substitute Firms

Ch. 2-Recognizing opportunities/ideas Ch. 2-Recognizing opportunities/ideas

Opportunity, Opportunity gap, Window of opportunity

Forces: Economic, Social, Technological Political and Regulatory

Opportunity Recognition by solving a problem

Finding gaps in the marketplace

Personal Characteristics of the Entrepreneur:

- *Prior Experience-Corridor Principle;*
- *Cognitive Factors-entrepreneurial alertness,*

- *Social Networks-solo entrepreneurs, network entrepreneurs, strong tie and weak tie relationships*
- *Creativity- Preparation- incubation- Insight- Evaluation- Elaboration*

Techniques for generating ideas: brainstorming, focus groups, library and internet research, customer advisory boards, day-in-the-life research

Focal Point for Ideas :Idea bank, intranet

Methods to encourage creativity and discourage it.

Protecting Intellectual property; 1. Tangible form, 2. Secured, 3. Avoid disclosure

Ch. 3 -Feasibility Analysis Ch. 3-Feasibility Analysis

Define Feasibility Analysis

Primary Research, Secondary Research

Product Service Feasibility Analysis-> P/S desirability and P/S demand. Examine trends, timeliness, flaws

P/S Desirability: Concept Test->Concept Statement-> take to prospective customer or industry experts.

1.Description/features 2. Target market, 3. Benefits, 4. Competitive position, management team

Three likes, three suggestions, is it feasible, other comments

P/S Demand: Buying Intentions Survey, Library/internet/gumshoe research

Industry/Target market Feasibility: 1. Industry Attractiveness 2. Target market attractiveness

Organizational Feasibility Analysis-> Management Prowess-new venture team, Resource sufficiency

Financial Feasibility Analysis: Start-up cash needed; financial performance of similar businesses, overall financial attractiveness of the venture.

Ch 4 –Writing a Business Plan

Not everyone writes a business plan, but most should

Internal Audience –External Audience –Employees –Investors

Red Flags: No founders money at risk, too broad a market, overly aggressive financials, sloppiness

Summary Business Plan- 10-15 pages; Full Business plan -25-35 pages; operations business plan 40-100 pages.

Written narrative of ~25-35 pages; PowerPoint of ~ 10 slides; Elevator speech of ~ 60 seconds

Stuff Happens! Business plans change –flexibility and the ability to pivot is crucial.

Structure:

- Cover Page: company name, address, phone number, date, contact person, web site, Facebook, Twitter, etc. Confidentiality statement
- Table of Contents
- Executive Summary of 1-2 pages (critically important)
- Industry analysis
- Company Description (mission statement, tagline, position, milestones)
- Market Analysis (market segmentation, target market, competitor analysis)
- Economics
- (financial analysis, COGS, contribution/gross margin, fixed costs, variable costs, operating leverage)
- Marketing Plan (marketing strategy)
- Product/Service Design and Development Plan (product, service, or virtual prototype)
- Operations Plan
- Management Team and Company Structure (B of Directors, B of Advisors, Org Chart)
- Overall Schedule
- Financial Projections:(sources and uses of funds, assumptions, pro-forma or projected financial statements, ratios –ROI, ROA, ROS, etc)
- Summary and Appendix

Economics: costs of goods sold, contribution margin, variable costs, fixed costs, operating leverage (fixed/variable)

Ch 5-Industry and competitor analysis

Industry Analysis and Industry Trends (Environmental Trends and Business trends)

Porter Five Force Analysis: Rivalry among existing firms surrounded by Threat of substitutes, threat of new entrants, bargaining power of suppliers, bargaining power of buyers.

Determines potential profitability of business – the average rate of return for an industry.

Threat of substitutes: can a buyer chose something else instead of your product as a substitute.

New Entrants: barrier to entry, economies of scale, product differentiation, capital requirements, cost advantages independent of size, access to distribution channels, government and legal barriers

Supplier bargaining power: concentration, switching costs, attractiveness of substitutes, threat of forward integration.

Buyer bargaining power: concentration, buyers costs, degree of standardization, threat of backward integration.

Rivalry among existing firms.: number and balance of competitors, product differences, industry growth rate, level of fixed costs

Industry types: Emerging, Fragmented(roll-up), Mature, Declining(leadership, niche, cost reduction), Global(multi-domestic or global)

Direct competitors, indirect, future -> competitive intelligence

Ch 6 Developing effective business models

Business Model Innovation (Dell, eBay, etc)

Importance: 1 Ongoing extension of feasibility analysis, 2. Focuses on how elements of business fit together to make a whole 3. Describes why the network of participants needed actually work together 4. Articulates a company's core logic to all stakeholders –incl. employees

Value Chain –example is Apple

Two fatal flaws –complete misread of the customer and utterly unsound economics

Business concept blind spot. Xerox as a copier company and not a printer.

Product/Market Scope –getting that balance right is critical

Basis for Differentiation: cost leadership strategy or differentiation strategy.

Strategic Resources 1. Core Competencies (resource leverage), 2. Strategic Assets –try to use these two to create a sustainable competitive advantage.

Partnership Network Suppliers/ supplychain/supply chain management

Insourcing service provider comes into a partner's facilities

Customer Interface Target Market

Fulfillment and Support

Pricing structure