

Starting New Ventures

Review Summary Sheet for Final Exam

This is divided into two parts corresponding to the first and second half of the semesters. The first covers some pointers to the first six chapters. This review does NOT cover everything. It is meant to be a guide to remind you to understand each of these topics and concepts. You are responsible for the content of ALL of the cases that were presented in class and for all of the reading assignments. The material in here is meant as an assist to your own review.

Cases:

- ILINC LearnLinc
- ScriptPad
- Segway
- Tommy John
- Kazoo
- d.light
- Panera Bread
- Uber
- Dell computer
- Napster
- ColdStone Creamery
- Zappos
- Google
- Zazzle
- Kickstarter
- ProActive
- Modcloth
- SmuckersUncrustables
- Tesla
- GroupOn
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[Ch. 1-Intro. to Entrepreneurship/Entrepreneurs](#)

Case [ILinc-LearnLinc](#)

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 or Creative disruption

Entrepreneurial Firms, Lifestyle Firms, Salary Substitute Firms

[Ch. 2-Recognizing opportunities/ideas Ch. 2-Recognizing opportunities/ideas](#)

Case: [ScriptPad](#)

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](#)

Case; [Segway](#)

Case;: [Tommy John](#):

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

Case; [Kazoo](#):

Case; [d.Light](#)

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.

Alternate Approaches: The Lean Launchpad, business Model Canvas, Effectual Entrepreneur

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 versus variable expenses)

Ch 5-Industry and competitor analysis

Case: [Panera Bread](#)

Case: Uber –Designed to match potential riders with potential private car owners who will give them a ride. Directly competes with Taxi services. Cities and States have been applying regulatory pressure. Has achieved spectacular growth. Has some competitors but still dominates this market.

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 if 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(strategies: leadership, niche, cost reduction), Global(multi-domestic or global)

Direct competitors, indirect, future -> competitive intelligence

Ch 6 Developing effective business models

Case: [Dell Computer](#)

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/ supply chain/supply chain management

Insourcing service provider comes into a partner's facilities

Customer Interface and the Target Market

Fulfillment and Support

Pricing structure

-----**Second Half of Course** -----

Ch. 7-Ethical and Legal Foundation

Case: [Napster](#) after a fast start it was unable to overcome the intellectual property issues.

Business licenses

Sole Proprietorships, taxes and liability to the owner

Partnership (general partners, limited partners) (taxed to partners, liability to partners, partnership agreement)

Corporations (C and S) (double taxed, liability limited, shareholders)(piercing the veil, stock options,)

Subchapter s Corporation –not a subsidiary, shareholders all US citizens, one class of stock, ,100 members, all shareholders must agree to it. Liability is limited, but profits (losses) taxed to owners.

LLC- liability of a corporation, but taxed like partnership, “members” and “interests” not shareholders and stocks.

Liquidity issue

Ch. 8. Assessing Financial Strength and Viability

Cases: Dell Computer new business model –leads to financial advantages (already linked to this in previous chapter)

Case; Zappos –online shoe and clothing retailer –created supportive corporate culture, strong customer service. Now a billion dollar company. Great CEO and team.

Team that is heterogeneous in skills, but need compatibility or homogeneity in working culture

Cold Stone Creamery- franchising, high costs, saturated market, believing the hype, strong control from franchisor

Profitability, liquidity, efficiency, stability

Pro-forma and actual statements

Income Statement, Balance Sheet, Cash Flow Statement

Ratios: debt to equity, profit margin, return on assets, return on equity, Current ratio

Working Capital –Current Assets-Current Liabilities

Be able to calculate those ratios from data in the three statements.

Ch. 9. Building a New Venture Team

Cases: Zappos –shoe retailer great team, great CEO, customer service, human resources

Team that is heterogeneous in skills, but need compatibility or homogeneity in working culture

Signaling

Google: A team that included the founders but also added the more experienced CEO, Eric Schmidt.

Board of Directors role (inside and outside directors)

Board of Advisors Role

Lenders and Investors

Ch. 10. Getting Financing or Funding

Cases: Kickstarter –crowdfunding

Case: Zazzle –custom printing of product, raised lots of funding (16M then \$30M and some eyebrows, well connected founder. \$300 million valuation?)

Business Angels

Venture Capitalists (limited and general partners) (get the “carry.”)

Successive Rounds –follow-on funding.

SBIR and STTR

Ch. 11. Unique Marketing Issues

Cases: ProActive – Three critical decisions: we are a skin care company not an acne medicine, our name is ProActive, We sell through Infomercials

Case: Mod Cloth-vintage clothes, social media not traditional advertising, crowd-sourcing on products

4 p’s: Product, Price, Promotion, Place

Market Segmentation, Target market, Market positioning

Brand- encapsulates mission and market position

Price- Cost, Value, Competition, Market demand, Image

Promotion –Advertising and Public Relations –different and complimentary

Ch. 12. Intellectual Property

Case; Smuckers Uncrustables – patent issues –first had then lost patent

Case: Tesla -Entering a mature market. Use a niche strategy –all electric, put all intellectual property in the public domain by agreeing to allow it to be used royalty free.

Patents, copyrights, trademarks, trade secrets

Before 2013: First to invent, genes could be patented.

After 2013: First to file no gene patents for naturally occurring genes.

Patent: useful, novel, non-obvious Utility-20 years, Design-14 years, plant-20yrs

-Business method patent: Amazon One Click, Priceline-Name your Price, NetFlix –customer rental list

-Provisional patent – 1 year

-Patent Advantages: monopoly, resist imitation, raise capital, can’t be used by others as trade secret, licensing strategies

-Patent Disadvantages: disclosure, only 20 years, can be circumvented, hard to defend, tech changes, multiple patents world-wide

Trademarks

-Words -Excluding: Pure description of a product/service, Deceptive marks, A mark consisting primarily of a surname

-Numbers and letters

-Designs or logos -Must be distinctive rather than generic

-Sounds – Distinctive

-Fragrances – Cannot enhance the use of the product

-Shapes – No impact on the product’s function

-Colors – not functional

-Trade dress-The manner in which a product or a business is “dressed up” to appeal to customers is protectable.

Copyright -literary works, musical compositions, software, dramatic works, choreographic or pantomime works, pictorial, graphic and sculptural works

-fair use

TradeSecret -Must not disclose, not known outside company, need to know, guarded stringently, valuable/competitive advantage, costly development, not easily duplicated, discovered, or reverse engineered.

Ch. 13. Growth Challenges

Case; [GroupOn](#): Founded as a site to obtain electronic coupons that could be used to purchase goods. The retailer then would split some of the profit with GroupOn. Got a fast start as companies saw it as a way to win new customers. Some concern that this was just cannibalizing profits from existing customers. Growth stagnated. They began selling goods like Amazon, Acquired Korea based Ticket Monster. Will they be able to continue to grow?

Reasons for Growth

Capturing Economies of Scale and scope

-Executing a Scalable Business Model

-Variable Costs vs Fixed costs

-Are variable costs scalable through discounts?

-Leverage (FC/VC) once fixed costs covered, marginal cost goes way down

Market Leadership

-like being King of the Hill –hard to dislodge

Influence, Power, and Survivability

-Set standards, market acceptance, recover from mistakes

Need to Accommodate the Growth of Key Customers

-Intel had to meet growth needs of computer companies!

Ability to Attract and Retain Talented Employees

-Growth makes companies more attractive to employees

-Hold down turn-over

Ch. 14. Strategies for Firm Growth

Internal Growth Strategies (new product development, increase market share, global expansion, organic growth)

External Growth Strategies (mergers, acquisitions, alliances, joint ventures, licensing, franchising)

IG Advantages: incremental and even paced, maximum control, culture preserved, intrapreneurship, promotion from inside

IG Disadvantages: slow, need new resource, failures hard to recover from, adds industry capacity)

EG Advantages: reduce completion, access to proprietary products, new markets, new technology, access to established brand names, economies of scale, diversification of risk.

EG Disadvantages; management incompatibility, culture clash, operational clash, increased business complexity, loss of organizational flexibility, potential anti-trust issues