
Starting New Ventures

64-361.202

Tuesday and Thursday 3:30- 4:45 PM

Exam 1 Review Chapters 1-6

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Pick the BEST answer

- The test will be 50 multiple choice or matching types of questions.
 1. Most answers will have SOMETHING correct about them!
 2. But only one will be completely correct and the BEST answer
- Remember that the tests (2 of 3) will represent 40% of your grade.
 1. Case=20%;
 2. summary business plan 20%;
 3. Elevator pitch 10%
 4. class participation 10%
- I will have ample examples of your ability to write and analyze based upon the term project in which you will submit a summary business plan.
- The team based case studies will evaluate you on your skill at developing and delivering a professional presentation with visual aids.
- Please!! Review the Syllabus and Schedule regularly at:
<http://www.jackmwilson.net/SNV>



Example Problems

- ZipCar decided to try to address the needs of urban residents instead of business rental users. This is an example of
 1. Direct Competitors
 2. Target market
 3. Strategic resources
 4. Disruptive Technology
 5. Feasibility Analysis



Example Problem

- Which is NOT true of Uber?
 1. Uber users rate their drivers
 2. Uber drivers rate their customers
 3. Uber drivers receive extensive training and licensing
 4. Uber competes directly with taxi services in urban areas.
 5. Uber has been criticized by some urban governments.



Example Problems

- Segway was a company that had
 1. A great management team
 2. A great business plan
 3. Terrific sales growth
 4. Narrowly targeted initial markets
 5. Well thought out production goals



Example Problems

- ILINC was a company operating in a/an
 1. Mature market
 2. Declining Market
 3. Emerging Market
 4. Global market



Example Problems

- Kazoo avoided selling toys from the major toy producers
 1. To avoid the high cost of partnerships
 2. Because of certain regulatory trends
 3. As a cost leadership strategy
 4. To avoid direct competitors in a mature market



Example Problems

- When PC's were introduced into the market they were unable to compete with the mini-computers of companies like Wang, digital, or Data General, but in the end they got better and better and took the market away from the older companies.

This is an example of

1. Direct Competitors
2. Creative Destruction
3. Disruptive Innovation
4. Regulatory Forces



Example Problems

- Privo Technologies entered (and won) several competitions that required them to create :
 1. A feasibility study
 2. Concept statement
 3. A Porter five Force analysis
 4. A business plan



Example Problems

- Tommy John was entering :
 1. A declining market
 2. A mature market
 3. An emerging market
 4. A highly regulated market



Example Problems

- A concept statement is designed to
 1. Serve as a business plan
 2. Identify the financial resources needed
 3. Be used to test customer and investor reaction to a business opportunity
 4. Avoid regulatory issues and protect intellectual property



Example Problems

- When the Scriptpad founder recognized that he could go after smaller practices to offer electronic prescription services it was an example of
 1. Opportunity Recognition
 2. Feasibility Analysis
 3. A good business plan
 4. A economic trend



Example Problems

- Panera Bread is an example of
 1. Disruptive Innovation
 2. Destructive Innovation
 3. Lack of strategic resources
 4. Poor Business planning
 5. How to enter a mature market



Cases

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



Ch. 1-Intro. to Entrepreneurship/Entrepreneurs

- Define Entrepreneurship, Corporate Entrepreneurship, Social Entrepreneurship
- Characteristics of the Entrepreneur, Myths of Entrepreneurship
 1. Born not made
 2. Gamblers
 3. Primary motivation is money
 4. Young and energetic
 5. Love the spotlight
- Passion, Product focus, Tenacity despite failure, Execution Intelligence
- Schumpeter- Creative Destruction
- Clayton Christenson:
 - Disruption Innovation, Disruptive Technology, Creative disruption
- Entrepreneurial Firms, Lifestyle Firms, Salary Substitute Firms



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:
 1. *Prior Experience-Corridor Principle;*
 2. *Cognitive Factors-entrepreneurial alertness,*
 3. *Social Networks-solo entrepreneurs, network entrepreneurs, strong tie and weak tie relationships*
 4. *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-Segway as an example of faulty 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:
 1. Cover Page: company name, address, phone number, date, contact person, web site, Facebook, Twitter, etc. Confidentiality statement
 2. Table of Contents
 3. Executive Summary of 1-2 pages (critically important)
 4. Industry analysis
 5. Company Description (mission statement, tagline, position, milestones)
 6. Market Analysis (market segmentation, target market, competitor analysis)
 7. Economics (financial analysis, COGS, contribution/gross margin, fixed costs, variable costs, operating leverage)
 8. Marketing Plan (marketing strategy)
 9. Product/Service Design and Development Plan (product, service, or virtual prototype)
 10. Operations Plan
 11. Management Team and Company Structure (B of Directors, B of Advisors, Org Chart)
 12. Overall Schedule
 13. Financial Projections:(sources and uses of funds, assumptions, pro-forma or projected financial statements, ratios –ROI, ROA, ROS, etc)
 14. 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.
 1. Threat of **substitutes**: can a buyer chose something else instead of your product as a substitute.
 2. **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
 3. **Supplier bargaining power**: concentration, switching costs, attractiveness of substitutes, threat of forward integration.
 4. **Buyer bargaining power**: concentration, buyers costs, degree if standardization, threat of backward integration.
 5. **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/ supply chain/supply chain management
- Insourcing service provider comes into a partner's facilities
- Customer Interface Target Market
- Fulfillment and Support
- Pricing structure

