

Unit 28 & 48 Launching A New Venture

- Would you like to be your own boss?
- Have you ever dreamed of starting your own business?
- Don't know what to do about your great business idea?
- ✓ If you have ever thought about these situations, this course will help you to develop and hone your entrepreneurship skills, launch a new business, and help you achieve your dreams.

Being an entrepreneur has many rewards but is full of risks. These risks are minimized through drafting a business plan, knowing your competition, and successful marketing. All these and more can be found in this entrepreneurship course.

BACKGROUND OF THE LESSON

William W. Kirkley provided extant literature on creating new ventures: decision factors in new venture creation (Kirkley, 2016). His study focused on:

KEYWORDS

1. Opportunity Identification
2. Entrepreneurship
3. Decision-making
4. New venture creation

Kirkley's findings suggested that:

1. The current focus on globalization and the rapid development of technology have vastly improved the potential for new venture creation. The increasing awareness of global markets and rapid market expansion has served to create a wide and varied range of new potential which allows businesses to expand their scope of operations across international borders
2. Entrepreneurship, as a process of economic activity, is widely recognized as a source of innovation that has an impact on economic development.
3. In the context of this study, an entrepreneur, is an individual "who typically has limited resources, which he/she attempts to efficiently utilize to exploit a viable business idea through new venture creation" (citing Sobel, 2008).
4. Part of this process of economic activity involves the establishment of new ventures targeted at providing specific solutions to identified needs or problems in the marketplace.
5. Entrepreneurs are engaged in identifying unique, innovative new ideas and converting them into exploitable products or services through new venture creation.
6. The underlying premise that drives new venture creation is to provide a significant value to an identified segment of the market, which in turn supports and justifies the establishment of a sustainable business (citing Mehdivand et al. 2012).
7. By creating a new venture, the entrepreneur gains access to additional resources, which assist in increasing the point of differentiation and competitiveness of the new venture.

8. Entrepreneurs utilize specific skills and capabilities to help them in making rational decisions and which lead to achieving success through new venture creation (citing Ozdemir et al., 2014).
9. In new venture creation, entrepreneurs need to focus on strategically analyzing the external macro-environment to determine gaps and deficiencies where exploitable needs/problems may exist.
10. Factors such as technological advancement, market opportunity, competition, customer demand and prevailing market conditions have a significant influence on the decision-making process involved in creating a new venture.
11. Rapid technological developments have resulted in increased hyper-competition across the globe. This has led to increased market competition and a rise in activity amongst many small and medium sized companies (SMEs) to develop new strategies that will satisfy customer demand while increasing profitability (citing Crossan and Apaydin, 2010).
12. Besides factors such as economic conditions, the changing social environment, market demands, trends, supply chain viability and so on, the most pervasive factor that currently influences new venture creation appears to be technological change.

William W. Kirkley provided that his study also found the *main/essential considerations in entrepreneurial strategies at start-up* (Kirkley, 2016). He describes them as:

1. NEEDS IDENTIFICATION: The entrepreneurship process is based on identifying and exploiting needs/problems well ahead of potential competitors and through the use of unique and creative approaches.
2. JUSTIFICATION: develop an idea and substantiate the reasoning behind creating a new venture.
3. DESIGN: designing the basic nature of the venture, for example, whether it has a physical presence or is virtually situated. Shows the venture creation process, which involves three stages: exploration, planning and launch.
4. STRATEGIC AND OPERATIONAL PLANNING: Planning is conducted in three phases, as explained in Figure 2. Entrepreneurs are generally considered to have a favorable disposition to risk, and it is important for them to plan, develop and implement strategies that can help in achieving market presence, growth, and development (citing Jovanovic et al., 2010).
5. ENVIRONMENTAL AND COMPETITIVE FORCES: To achieve a measure of confidence prior to start-up, entrepreneurs need to focus on the industry, macro-environmental and competitive landscapes they are planning to enter. Strategically, it is important to analyze and quickly evaluate the key forces a new venture will need to contend with prior to launch (citing Krlev, 2012).
6. ALLOCATION AND USE OF RESOURCES: The development of new venture and the availability of resources and capabilities in the market play a significant role in the initial stages of the start-up. For example, the presence of relevant and abundant resources in the market assist the entrepreneur in making decisions on how to best utilize these resources and gain competitive advantage (citing Newbert, 2007).
7. COMPETITIVENESS: The uncertainties confronting the venture (i.e. the uptake of the solution by an identified market segment) and its legitimacy as a competitive player in the market are defined and explored.
8. RISK: Uncertainty and legitimacy also ensure that effective competitive strategies are developed, and resources are effectively managed.

Continue reading: <https://www.emerald.com/insight/content/doi/10.1108/APJIE-12-2016-003/full/html>

Approaches And Strategies For Successful Outcome Of The New Venture

There are a number of different approaches and strategies an entrepreneur might choose to achieve a successful outcome as follows:

1. *Transcendent-based approach*: The focus of this strategy is on introducing new products and services that will meet and satisfy the needs of the market.
2. *Product-based approach*: there is an assumed condition that the venture has already been established and that it is now seeking to grow and expand within an existing market. The product attributes are innovative, compelling and designed in such a way as to disrupt the traditional technology used in a particular industry.
3. *User-based approach*: entrepreneurs following this strategy will first clearly define problem or need areas and then design suitable solutions to resolve them. For many new ventures, this is an optimal, efficient, and low-cost approach to not only assessing consumer interest in what is offered but also represents an effective way to establish the new venture. The essence of this approach lies in building products and services that meet the minimum viable demand conditions of a small but critical market of early adopters, and to then continually upgrade the product or service until it has been accepted by the mass market.
4. *Manufacturing-based approach*: The manufacturing-based approach is based on meeting industry and regulatory standards while developing and producing new, innovative products and services.

Entrepreneurial Decision making are based on:

1. Economic conditions. The entrepreneur needs to understand the fundamental economic conditions within the country where the business will be located and those positive economic signals that will foster success for the business.
2. Macro-environmental factors such as taxation policy, trade policies, regulations, government interventions and other monetary policies. When, for example, taxation policies and tariffs are favorably oriented towards small business, then it positively influences business performance, whereas if they are unfavorable, it negatively affects business.
3. Market factors
4. Technological advancement
5. Socio-demographics factors
6. Market and opportunity
7. Personal Expertise
8. Entrepreneurial team

Personal Expertise

1. Wide market awareness
2. Personal capabilities
3. Strategic capability

Market-related Need/problem identification

1. Demand for a new product
2. Advances in technology
3. Novelty of the idea
4. Unique value delivery
5. Personal/acquired experience
6. Need/problem identification

Barriers To New Ventures

1. Lack of resources and capability
2. Crowded market space
3. Compliance with industry regulations, statutory provisions, legislation, and tax policies
4. Market conditions
5. Wider economic market conditions

Read more: <https://www.emerald.com/insight/content/doi/10.1108/APJIE-12-2016-003/full/html>

STEP 1: Getting Started

1. Do the Pre-assignment review and the instructed reading resources
2. What are your interests? Brainstorm and agree on a business opportunity
3. Define the idea and the target customer: focus on the characteristics of the target or 'typical' customer, applying geographic, demographic, and behavioral segmentation
4. Set business goals and specific objectives

STEP 2: Investigating the opportunity

In the study *Creating New Ventures: A Review and Research Agenda*, Lisa Holton provided the following course of action how to Investigate a business before buying or investing (Holton, 2020):

- Research
- Observation
- Common sense
- Listen to customers
- Watch foot traffic
- Check out the neighborhood and competing businesses.
- Diagnose the empty-storefront issue.
- Study the local power base.
- Do a news search

READ HERE: <https://www.dummies.com/personal-finance/investing/how-to-investigate-a-business-before-buying-the-company/>

Linda Wray presented five Steps to Evaluating Business Opportunities (Wray, 2017):

Self-Analysis

Financial Components

Market Research

Risk Assessment

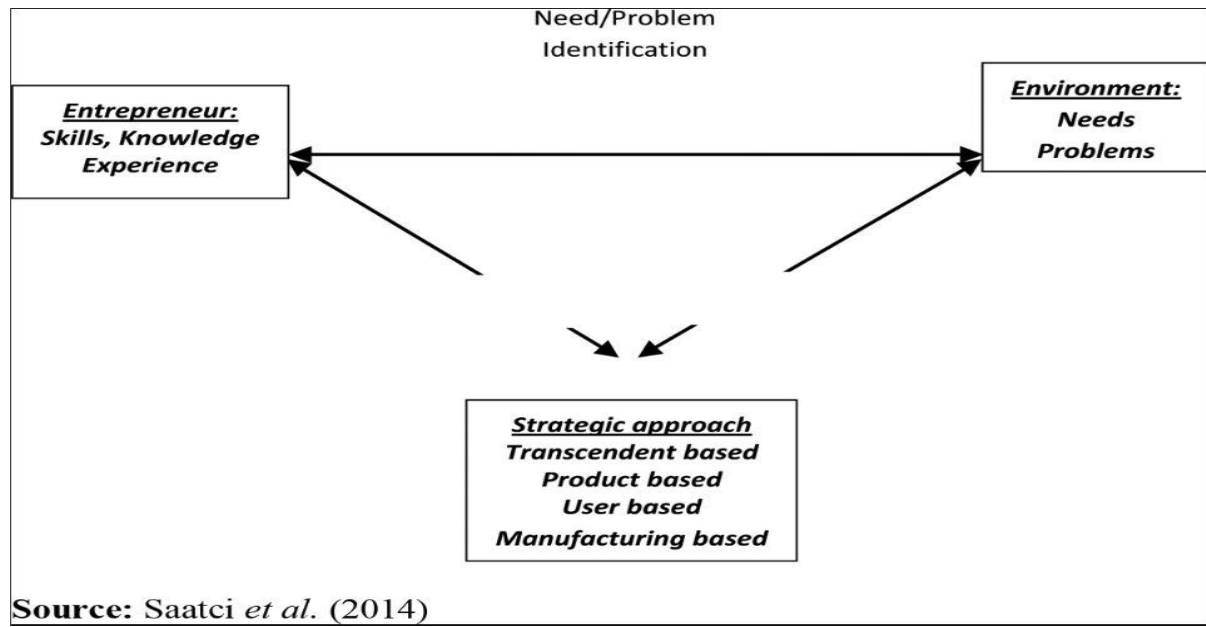
Support

READ HERE: <https://smallbusiness.chron.com/5-steps-evaluating-business-opportunities-44673.html>

Use competitor and industry analysis techniques such as Porter's Five Forces analysis

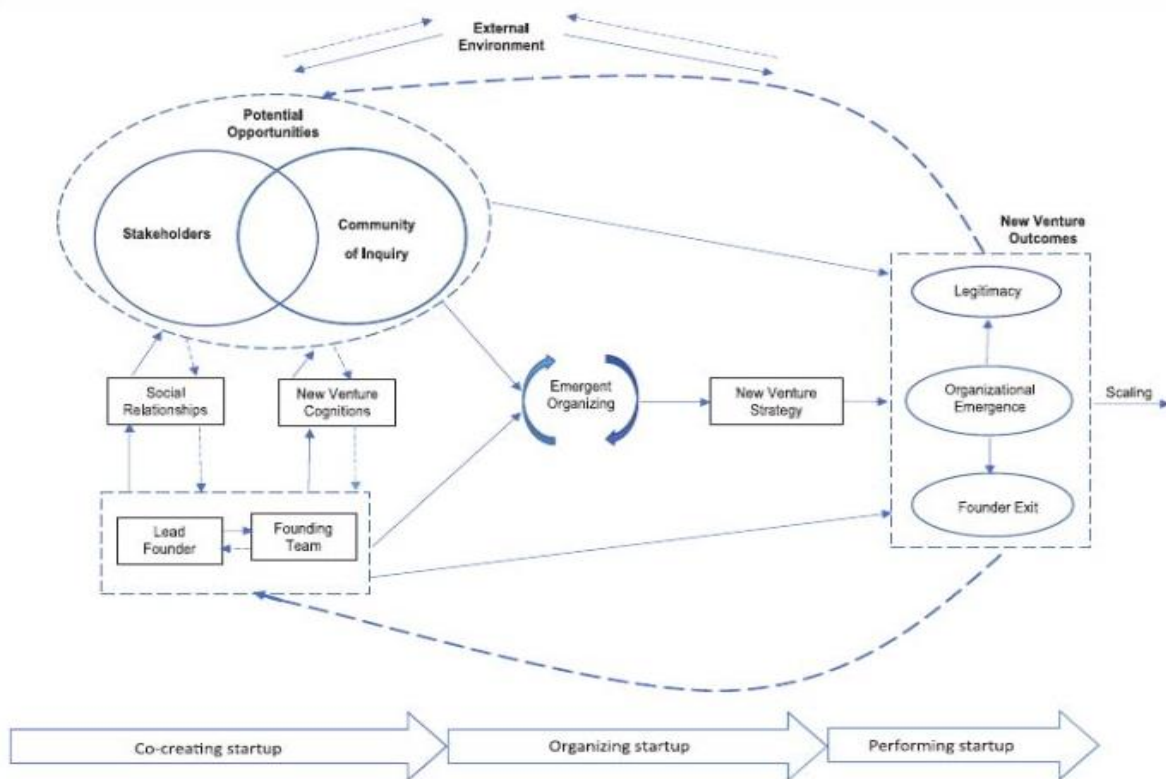
Assess the market and how to achieve competitive advantage

Supporting Models for the investigation into the viability of the venture



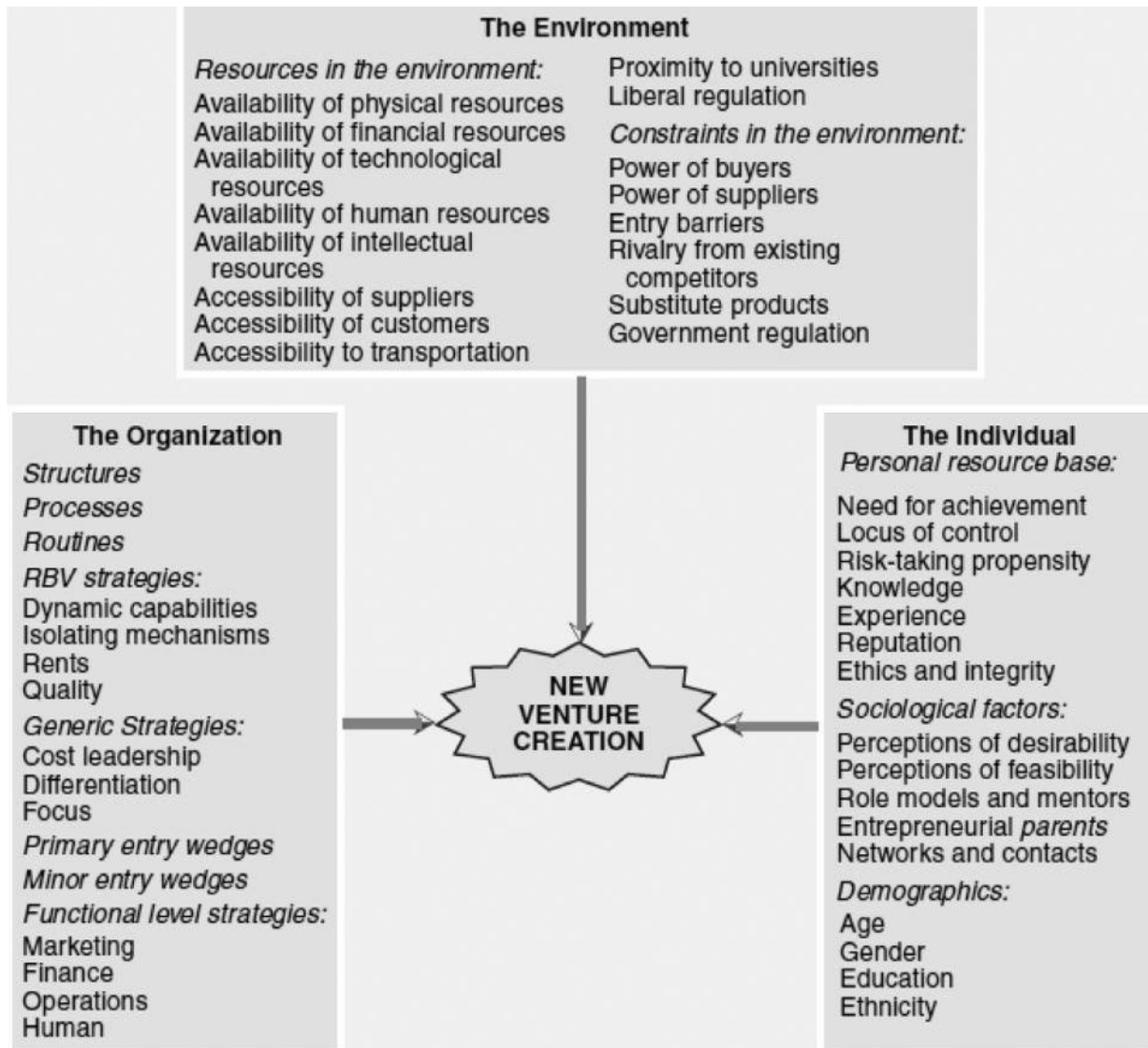
Shepherd et al. / Creating New Ventures

Figure 1
Illustration of Prior and Proposed Research on Starting Up New Ventures



The figure above shows the entrepreneurial decision-making process and the primary areas of focus (entrepreneur, environment, and strategy) to be considered when launching a new venture.

Figure 3 | Resources Requirements, Capacity and Core Competencies



Source: Saatci *et al.* (2014, p. 279)

LESSON AND ASSIGNMENTS

For Learning Outcome 1 you will be investigating the range of resources required to launch a new venture

ASSIGNMENT

1. Explain a new venture idea and how it represents a business/social enterprise opportunity.
2. Define the idea and the target customer.
3. Carry out analysis of the small business environment to support the venture idea. You'll study the:
 - a) Wider economy, business, and legislative environment
 - b) identify specific target markets and undertake competitive analysis
 - c) Investigate the range of resources required to launch a new venture
4. Discuss the strengths and weaknesses of the new venture and the areas of risk

INSTRUCTIONS

1. In fulfillment of learning outcome 1, you'll be carrying out a mix of practical and theoretical assignments in the process of launching a new venture.
2. You'll follow the given steps outlined below to conceptualize, plan, and launch a new venture.
3. You will be given a range of tasks in fulfillment of the individual steps and inquiry outlined in the assessment criteria.
4. You'll submit a business proposal that is professional, analytical, and comprehensive.
5. You'll be making the pitch to a group of potential investors in your new venture.

ASSESSMENT CRITERIA

- P1. Investigate and explain a new venture, identifying specific target markets and undertaking competitive analysis
- P2. Determine specific tangible and intangible resources that would be required for the launch of a new venture
- P3. Produce a credible proposal to launch a new venture
- M1. Apply a range of methods and techniques for competitive analysis to justify how to achieve competitive advantage
- M2. Discuss the strengths and weaknesses of the new venture and determine areas of risk
- D1. Develop a detailed proposal that demonstrates critical analysis and reflection of the competitive environment with supporting contingency planning to minimize risk

IMPORTANT INSTRUCTIONS: Use P3 as topic for the entire submission. Use P1, P2, M1 and M2 as headers for the different sections of your proposal. P3 and D1 are outcome-based goals.

Produce a credible proposal to launch a new venture

STEP 1: Getting Started

1. Do the Pre-assignment review and the instructed reading resources
2. What are your interests? Brainstorm and agree on a business opportunity
3. Define the idea and the criteria for the target customer
4. Set business goals and specific objectives

STEP 2: Investigating the opportunity

Use the following range of information, models and tools to research and investigate the opportunity. Financial and economic components must be included.

1. Summarize the extant literature used to inform the project
2. Discuss the investigative methods that you're using (use the range of information, models and tools provided in the literature to research and investigate the opportunity)
3. Evaluate and justify the Business Opportunity (refer to the related guidelines in the provided literature and use the given metrics for evaluation)

STEP 3: Deciding on the type of business

- a) Is the idea feasible?
- b) Do you have the experience?
- c) Are you an expert in the field?
- d) What are the range of resources required to launch the new venture
- e) Is the venture lucrative?

STEP 4: What is the market / competition like?

- a) Who is the customer prospect/target? focus on the characteristics of the target or 'typical' customer, applying geographic, demographic, and behavioral segmentation.
- b) What is the market/competition like? Conduct a competitive Analysis, using Four Corners Analysis
- c) Industry analysis, using Five Forces
- d) How can you set yourself apart from the competition?

TIP: Develop a detailed proposal that demonstrates critical analysis and reflection of the competitive environment with supporting contingency planning to minimize risk.