

Entrepreneurs and strategic decisions

Objectives

- Discuss the fundamental elements of entrepreneurial decision-making
 - Connect cognition to the entrepreneurial process
 - Examine strategic decision-making as a unique and significant tasks for entrepreneurs
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Decision making is a cognitive process.

- Cognitive = Thinking
 - *Cognition* involves individual decision-making involving the selection of a specific course of action that is supposed to bring a certain result.
- Decision-making implies choice.
 - Alternative are available is a decision exists.
 - Exact outcomes are unknown, albeit estimated.

Strategic decisions typically share the same process.

1. Recognizing a problem situation
2. Generating alternatives
3. Evaluating the various alternatives
4. Selecting the alternative that best satisfies our evaluation criteria

Study of entrepreneurial decision-making leads to better decisions.

- Decisions of entrepreneurs differ from company managers
 - Operate with limited information
 - Must be action-oriented and decisive
 - Accept risk
 - Involve major consequences

Decision-making is a strategic activity.

- Setting specific courses of action to reach strategic goals.
 - Revenue and profit goals
 - Market share and competitive advantage
 - Product superiority and technical advantage
 - Strategic decisions involve critical analysis, resource investment, and company commitment.
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Strategic decisions share four fundamental characteristics.

- *Complexity*: facts, variables, and contingencies relevant for the decision at hand
- *Uncertainty*: all possible outcomes are not known and are difficult to forecast
- *Rationality*: a specific goal is intended by making a decision
- *Control*: intentional and deliberate actions are made by decision-makers

Environment of entrepreneurs is uniquely challenging.

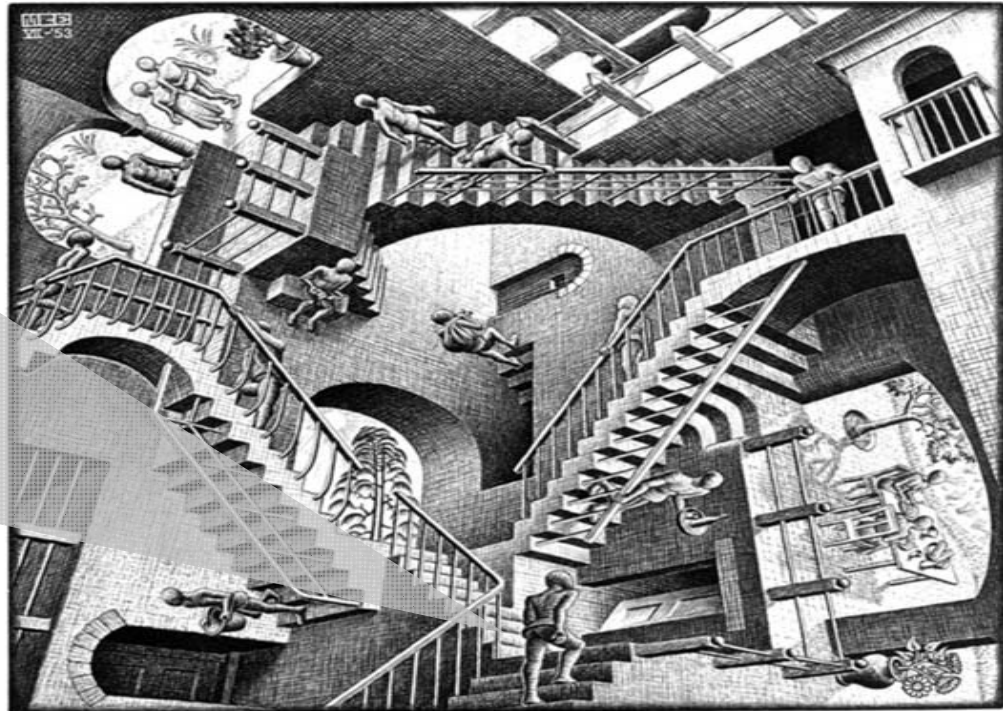


Source: M.C. Escher

Environment of entrepreneurs is uniquely challenging.



Source: M.C. Escher



Environment of entrepreneurs is uniquely challenging.

- Entrepreneurs are doing new things.
- Entrepreneurs are without the resources and relationships typical of established companies.
- Uncertainty and complexity levels are high.
 - Consequences of failed decisions include failed businesses; significant financial and emotional pain.

Summary

- Understanding entrepreneurial decision-making critically important for earliest stages
 - Without opportunity discovery, there's no venture
- Decision-making is a unique and significant tasks for entrepreneurs
 - Requires quick, high-stakes decisions with incomplete information in a dynamic market

For next time, read chapter 2 of
“The Opportunity Analysis Canvas”