
Assessing entrepreneurial opportunities

Objectives

- Discuss common pitfalls in the selection of new-venture ideas
 - Present critical factors involved in new-venture development
 - Examine why new ventures fail or success
 - Explore evaluation process methods
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Pitfalls in Selecting New Ventures

- Lack of objective evaluation
 - Limited knowledge and insight into the market
 - Inadequate understanding of technical requirements
 - Poor financial understanding
 - Lack of product uniqueness
 - Unknowledgeable of legal issues
 - Poorly constituted team
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Critical Factors for New-Venture Development

- Customer availability
 - Uniqueness
 - Product availability
 - Sales growth
 - Lifestyle ventures
 - Small profitable ventures
 - High-growth ventures
 - Investment
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Why New Ventures Fail

- Product/market problems
 - Little customer understanding
 - Not truly differentiated
 - Trouble establishing the brand
 - Financial difficulties
 - Typically underfunded
 - Spend on things that do not strongly influence success
 - Managerial problems
 - Limited functional experience
 - Scarce team experience
 - Human resources problems
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Is there an initial competitive advantage?

- Is it a new product/service idea?
 - Is it proprietary?
 - Can it be patented or copyrighted?
 - Is it unique enough to get a significant head start on the competition before it can be imitated or copied?
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What is the product development plan?

- How will the prototype be tested by independent testers?
 - What are its weak points?
 - Where are the areas for improvement?
 - What level of research and development is required now? ...in the future?
 - If it is a service, how will it be tested with potential customers?
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Who is the market?

- Who is the overall market?
 - What are the market segments/niches?
 - Within the overall market
 - Can your product penetrate these segments?
 - How big is the market?
 - How fast is it growing?
 - What are the trends?
 - Who else is in the market?
 - Now and in the future
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What is the production and distribution plan?

- Production

- How will the product be made?
- Will it be produced in-house or by others?
- At what cost?
- What is the present capacity of the producer?
- What is the breakeven point?

- Distribution

- What distribution and sales methods will be used?
 - How will the product be transported?
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What are staffing and funding plans?

- Staffing

- Can the company get—or has it already lined up—the necessary skills to operate the business venture?
- What are their skills, experiences, etc.?

- Funding

- How much capital will be needed now?
 - What are the major phases in financing?
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Summary

- Beware the common pitfalls in the selection of new-venture ideas
 - Understand why many new ventures fail
 - Explore evaluation process methods
 - Product development
 - Marketing
 - Operations
 - Funding
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