PART 2
Starting from Scratch or
Joining an Existing Business
<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Level of Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a business</td>
<td>High risk</td>
</tr>
<tr>
<td>Buying a business</td>
<td>Medium risk</td>
</tr>
<tr>
<td>Franchised business</td>
<td>Medium risk</td>
</tr>
<tr>
<td>Family business</td>
<td>Variable risk</td>
</tr>
</tbody>
</table>
What type of roller coaster do we want?
We get our expectations from others . . .
Perhaps less risk?
A kiddie coaster

OR, A thrill ride (higher risk)?

Its an emotional issue –
Sometimes we get out of line at the last minute . . .
Identifying Startup Ideas

Recognition
- Identify new products/services

Alertness
- Readiness to act
- Existing (unnoticed) opportunity

Investments
- Clear (important) needs
- Products customers know
- Products customers can afford
Startup Ideas – Film (4 min)

Have you ever thought of a start-up on your own?

From where did you get your idea?

Example: **Existing Technology** led to new products

Start-up Static: How hard could it be?

Two people can start the same type of firm with drastically different results – it’s in the details
Kinds of Startup Ideas – Which is yours?

• **Type A**
  - **New Market**
    - Existing product
    - Not available in their market

• **Type B**
  - **New Technology**
    - New ideas
    - New technology
    - New product

• **Type C**
  - **New Benefit**
    - Improved product
    - Perform old function in a new and improved way
      - Most common source of business start-ups - exam
New Product Ideas for Small Business Startups – on exam

- Personal Interest/Hobby: 16%
- Suggestion: 7%
- Education/Courses: 6%
- Chance Happening: 11%
- Other: 4%
- Prior Work Experience: 45%
- Friends/Relatives: 5%
- Family Business: 6%
Innovative Thinking – Apply to Business Ideas

1. *Borrow ideas from existing products and services or other industries.*
2. *Combine two businesses into one to create a market opening.*
3. *Begin with a problem in mind.*
4. *Recognize a hot trend and ride the wave.*
5. *Explore ways to improve a product or service’s function.*
6. *Think of how to streamline a customer’s activities.*
7. *Adapt a product or service to meet customer needs in different ways.*
8. *Imagine how market for a product or service could be expanded.*
9. *Use “green” technologies to make the product or service more environmentally friendly*
10. *Keep an eye on new technologies.*

**Think of one (1) Innovative New Business Idea now for #5**
Ten Rules for Entrepreneur Success

Book: Finding Fertile Ground: Identifying Extraordinary Opportunities for New Ventures by Scott Shane (Hand Out)

#1 predictor of new business failure = the industry in which the firm is founded
  • Retail businesses and restaurants have extremely high failure rates

1. Select the right industry
2. Identify valuable opportunities
3. Manage technological transitions
4. Identify and satisfy real market needs
5. Understand customer adoption
6. Exploit established company weaknesses
7. Manage intellectual property
8. Create barriers to imitation
9. Choose the right organizational form
10. Manage risk and uncertainty
Learn to make the difficult easy
- Anything we do is much more difficult the 1st time we do it
- Gets progressively easier the more we do it

**Example:**
Walk 15 miles
- It might be hard the 1st time we walk this far
- Do it everyday, incrementally building, and it becomes easier to do

It takes our body/mind 2 weeks to Make it Easy.

Morale of the story: Do it EVERYDAY its 

Example: Do 1 or 2 Innovative Thinking Exercise items a day e.g., consider two items each day (in rotation)
Joseph’s Sugar-free Cookies

1. How does the company continue to grow/innovate (what makes it different)?
2. Where did his startup idea come from?

Josephs Sugar Free Cookies Start Up
SWOT Analysis

Modified SWOT

Complete in 5 days:
Day 1: Opportunities
Day 2: Threats
Day 3: Strengths
Day 4: Weaknesses
Day 5: Analysis
80% on S->O
20% on W->T
I developed an Interactive SWOT Tool

From my home page,
1. Click on “Entrepreneurship Resources”
2. Scroll to bottom of page
3. Click on “SWOT Analysis”
External Environment = Social, Economic, Political, Technological, Competitive Trends

What do these “uncontrollables” look like?

Let's look at **Opportunities** first:

1. What are some new and emerging technologies that can help your business (explain)?
2. Which portion of the economy is growing that can help your business (industries)?
3. What are interest rate/inflation trends and how might your business gain by them?
4. What are new government regulations (certification requirements) that may benefit your particular business?
5. What are current demographic trends (income levels, employment) and how might they help your particular business?
Practical SWOT Format

External Environment = Social, Economic, Political, Technological, Competitive Trends

What do these “uncontrollables” look like?

Let’s look at **Threats** now:

1. What are some new and emerging technologies that can hurt your business (explain)?
2. Which portion of the economy is shrinking/contracting that can hurt your business (industries)?
3. What are interest rate/inflation trends and how might your business get hurt by them?
4. What are new government regulations (certification requirements) that may harm your particular business?
5. What are current demographic trends (income levels, employment) and how might they hurt your particular business?
Practical SWOT Format

CSF = Critical Success Factors – also called KSI
What must we do, and do well, to survive and thrive in this business?

Lets look at **Strengths** now:

1. What do you do well (that you must do well) in order to survive and thrive in your business? How do you measure each of these skills (if not currently measuring, how *will* you measure them)?

2. Describe the types of customers you match the best (the ones you can service the best)?

3. With which vendors do you have the best relationship?

4. Which results, that you measure each month, would you consider to be your greatest strengths?
Practical SWOT Format

CSF = Critical Success Factors
What must we do, and do well, to survive and thrive in this business?

Lets look at **Weaknesses** now:
1. What do you NOT do well (but you must do well) in order to survive and thrive in your business?
   How do you measure each of these skills (if not currently measuring, how *will* you measure them)?
2. Describe the types of customers you match the least (the ones you can least service properly)?
3. With which vendors should you have a strong relationship, but don’t?
4. Which results, that you measure each month, would you consider to be your greatest weaknesses?
## SWOT – Putting it all together (example)

This table shows what you identified as strengths and opportunities.

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Things that we do well, that we must do well: Provide advice that helps a company increase profits and long-term competitiveness. Measured through P&amp;L statement changes and vendor reviews</td>
<td>Technologies that can help: Logistics and supply chain management software, concentrating on value chain analysis integration.</td>
</tr>
<tr>
<td>Customers needs we best match: Manufacturers and distributors that seek global growth</td>
<td>Industries growing now: Niche marketers and relocation of offshoring facilities in Asia.</td>
</tr>
<tr>
<td>Vendors with strongest relationships: ABC Inc, DEF Inc, and other subcontractors from [industry association]</td>
<td>Interest rates/inflation: Low interest rates and inflation helps to keep costs down, allowing a longer cash conversion period.</td>
</tr>
<tr>
<td>Our strongest results: Customer referrals and customer satisfaction ratings (measured through repeat business)</td>
<td>Government regulations: No new regulations for our benefit now.</td>
</tr>
<tr>
<td></td>
<td>Demographics: Company demographic trends are &quot;lean and mean&quot; operations, increasing the need for high value-added and cost-effective consulting solutions.</td>
</tr>
</tbody>
</table>

Next Step: Identify which strengths match which opportunities. Please be sure to measure (or set up a measurement system and begin to measure) those things that you must do well (whether or not you actually do them well) This will give you the chance to maximize your strengths in areas with maximum potential professional impact. (80% of your efforts should be devoted here)

An example from my company
SWOT – Putting it all together (example)

This table shows what you identified as weaknesses and threats.

<table>
<thead>
<tr>
<th>Weaknesses</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Things that we do NOT do well, that we must do well: Do not integrate supply chain and procurement processes into two-way traffic considerations. Measured through client feedback regarding future integration needs.</td>
<td></td>
</tr>
<tr>
<td>• Customers needs we least match: Large MNEs with foreign sales offices and an integrated global network in place.</td>
<td></td>
</tr>
<tr>
<td>• Vendors we need to develop a relationship with: GHI Inc, and JKL Inc. As well as freight forwarders servicing medium-volume shippers to Asian markets.</td>
<td></td>
</tr>
<tr>
<td>• Our weakest results: Ability to expand beyond initial export management services, into integrated global systems.</td>
<td>• Technologies that can hurt: New methods for web-based attacks on client Internet security.</td>
</tr>
<tr>
<td></td>
<td>• Industries hurting now: Medium-sized wholesalers and manufacturers being acquired in greater numbers by larger firms, which leaves fewer prospects.</td>
</tr>
<tr>
<td></td>
<td>• Interest rates/inflation: Low interest rates can hurt our short term investment returns, and tighter credit policies can restrict our operating cash flow.</td>
</tr>
<tr>
<td></td>
<td>• Government regulations: None at this time.</td>
</tr>
<tr>
<td></td>
<td>• Demographics: Company downsizing and retrenchment has given many companies a &quot;wait and see&quot; outlook for sales growth to unfamiliar markets, which will require high touch.</td>
</tr>
</tbody>
</table>

Next Step: Identify which weaknesses make you vulnerable to which threats. Please be sure to measure (or set up a measurement system and begin to measure) those things that you must do well (whether or not you actually do them well) This will help you to overcome potentially fatal flaws, given current conditions. (20% of your efforts should be devoted here)

An example from my company
Feasibility – Will Cover Details w/ Business Plans

• Feasibility Analysis
  ➢ A preliminary assessment of a business idea that gauges whether or not the venture envisioned is likely to succeed

• Fatal Flaws
  ➢ A circumstance or development that alone could render a new business unsuccessful
    ❖ Market potential: acceptance, accessibility, growth, and size
    ❖ Power of competitors
    ❖ Strength of competitive advantage
    ❖ Startup costs
    ❖ Management capability
Release Form for BUSM 66 Project

Please complete the top of the Release Form.

Please sign at the bottom of the form AND sign on the reverse side.
Entrepreneur Interview – Project

Handout on Entrepreneur Interview Project

- Review the steps for project completion (first page)
- Sign “Release Form”
- Access files for project completion:
  
  [http://instruction2.mtsac.edu/rjagodka/CourPage.htm](http://instruction2.mtsac.edu/rjagodka/CourPage.htm)
  
  Entrepreneur Interview Instructions (txt) (Right click and "Save Target As ...")
  
  Entrepreneur Interview On-Line Form

- **Work on/ edit your content (paper then txt file)**
- **Complete the project by entering into on-line form**