7 : Identify and Evaluate Potential Business Opportunities

EN 5106 – Fundamentals of Management and Entrepreneurship

Level III - Semester 5

Overview

- Identifying and evaluating potential business opportunities is a dynamic process crucial for entrepreneurs and businesses aiming to navigate the ever-evolving landscape of business.

- This lecture outlines key steps and considerations essential for effectively identifying and evaluating opportunities that align with strategic goals and market demands.

Intended Learning Outcomes

At the end of this lesson, you will be able to;

- Describe the major pathways that may lead to entrepreneurial ventures.
- Identify and discuss what is involved in acquiring an established venture that already has some entrepreneurial momentum.
- Outline key questions to ask when buying an ongoing venture that is already generating value.
- Define a franchise and outline its structure and Examine the benefits and drawbacks of franchising.
- Define and illustrate the sources of opportunity for entrepreneurs.
- Examine the role of creativity and to review the major components of the capacity building process.
- Identify critical factors involved in new venture development.

List of sub topics

List of sub topics

7.6 Selecting Viable Business Opportunities

- 7.6.1 Elements of Business Opportunity Assessment
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7.7 Evaluation of Business Opportunity

- 7.7.1 Assessing the Industry Environment
- 7.7.2 Uncertainty Analysis
- 7.7.3 Value Chain Analysis
- 7.7.4 Barriers to entry Analysis
- 7.7.5 Competitor Analysis
- 7.7.6 Feasibility Analysis

7.1 Entrepreneurship Pathways

- Entrepreneurship pathways encompass various routes and approaches individuals may take to engage in entrepreneurial activities.
- These pathways are diverse and cater to different preferences, skills, and contexts.
- Every pathway comes with its own set of rewards and compensations, but it also entails specific disadvantages and challenges that must be taken into consideration.
- Some common pathways that entrepreneurs can take are:
    - Bootstrapping
    - Business Assistance Funding
    - Minipreneurship
    - New Venture Creation

7.1 Entrepreneurship Pathways Cont...

7.1.1 Bootstrapping

- Bootstrapping refers to the practice of starting and growing a business with minimal external capital, relying primarily on personal savings, revenue generated by the business, and cost-effective strategies.
- Entrepreneurs who bootstrap prioritize financial self-sufficiency and aim to fund their business operations without seeking substantial external investments.
- This approach often involves good financial management, company growth, and a focus on generating profits early in the business's life cycle.

7.1 Entrepreneurship Pathways Cont…

7.1.1 Bootstrapping Cont…

- Advantages of Bootstrapping
  - Can use personal savings, contributions from family and friends, or revenue generated by the business to fund operations.
  - Company growth is fueled by profits rather than external funding.
  - Allows entrepreneurs to retain full ownership and control of their business without diluting equity through external investments.
  - Allows entrepreneurs to make quick decisions without relying on external stakeholders.
  - Can adopt efficient operational practices, avoiding unnecessary expenditures.

7.1 Entrepreneurship Pathways Cont…

7.1.1 Bootstrapping Cont…

- Disadvantages of Bootstrapping
    - Limited initial resources
    - Potentially slower growth
    - Increased reliance on the entrepreneur's skills and determination

7.1 Entrepreneurship Pathways Cont…

7.1.2 Business Assistance Funding

- Financial support or aid provided to businesses by government business development programs to help them overcome challenges, achieve specific objectives, or facilitate growth.
- There are a few reasons for the government to provide funding for new businesses:
  - A robust small business sector contributes to a thriving overall economy of country. Conversely, when small businesses face obstacles, the economy experiences setbacks. The initiation of new businesses is not solely driven by financial resources; rather, it is driven by individuals. But, for a business to give a push start, funding is required.

7.1 Entrepreneurship Pathways Cont...

7.1.3 Minipreneurship

- The term "minipreneur" reflects a growing trend where individuals, armed with passion, creativity, and a desire for independence, choose to pursue entrepreneurship on a smaller and more personalized scale.

- Minipreneurs typically operate businesses that are modest in size, **catering to specific markets or focusing on specialized products or services.**

- These entrepreneurs may choose to keep their enterprises intentionally small, emphasizing qualities such as flexibility, autonomy, and personal fulfillment over rapid expansion.

7.1 Entrepreneurship Pathways Cont…

7.1.4 New Venture Creation

- Entrepreneurs revolutionize established markets through the introduction of innovative products and ideas.
- In the process, they eliminate less innovative products from the market, pushing the boundaries of product development.
- Additionally, entrepreneurs enhance market efficiency by reducing prices, meeting previously unexplored demand, and expanding market reach.
- There are two approaches to this method:
  - **New – New Approach -** A newly established business introduces an original product or service to the market.
  - **New – Old Approach -** Modify an existing product or expand its availability into areas where it is currently unavailable.

7.1 Entrepreneurship Pathways Cont…

7.1.4 New Venture Creation Cont…

- New – New Approach
  - Introducing new products into the market as a result of research and development.
  - A simple method to discover new products involves compiling a list of frustrating experiences or challenges faced with different products or services over a specific period.
  - Entrepreneurs can generate inventive concepts through either adaptation or innovation.

7.1 Entrepreneurship Pathways Cont…

7.1.4 New Venture Creation Cont…

- New – Old Approach
  - An individual capitalizes on someone else's idea by either enhancing a product or providing a service in an area where it is currently unavailable.
  - Engaging in such operations carries risks as competitors can quickly enter the market.
  - Those contemplating such ventures should aim to provide a product or service that is challenging to replicate.

7.2 Acquiring an Established Entrepreneurial Venture

- Acquiring an established entrepreneurial venture can be a strategic move for individuals or companies looking to enter a specific market or expand their existing business portfolio.

- This process involves purchasing a business that is already in operation, as opposed to starting a new venture from scratch.

- There are several considerations and potential benefits associated with acquiring an established entrepreneurial venture.

7.2 Acquiring an Established Entrepreneurial Venture Cont…

7.2.1 How to acquire an Entrepreneurial Venture

- Acquiring a business venture involves intricate transactions, and it is advisable to seek the guidance of professionals.

- The guidelines that need to be followed upon acquiring an established entrepreneurial venture are:
    - Examine the opportunities
    - Evaluating the selected venture

7.2 Acquiring an Established Entrepreneurial Venture Cont…

7.2.1 How to acquire an Entrepreneurial Venture

- <u>Examining the available opportunities.</u>
    - Entrepreneurs looking for acquiring established entrepreneurial ventures should look for such opportunities through different sources such as:
        - Business brokers
        - Newspaper ads
        - Trade sources
        - Professional sources

7.2 Acquiring an Established Entrepreneurial Venture Cont…

7.2.1 How to acquire an Entrepreneurial Venture

- Evaluating the selected venture
  - There are a few key questions to ask and find answers before acquiring an established entrepreneurial venture.
    - Why is the business being sold?
    - What is the current physical condition of the business?
    - What is the condition of the inventory?
    - What is the state of the company's other assets?
    - How many of the employees will remain?
    - What type of competition does the business face?
    - What does the company's financial picture look like?

7.2 Acquiring an Established Entrepreneurial Venture Cont…

7.2.2 Advantages of acquiring an Ongoing Venture

- There are 03 important advantages in acquiring an ongoing entrepreneurial venture.

  - Assurance of future operation.
  - Time and effort to start from the scratch are reduced.
  - Buying prices can sometimes be bargained.

7.2 Acquiring an Established Entrepreneurial Venture Cont…

7.2.2 Advantages of acquiring an Ongoing Venture

- Assurance of future operation.
    - A thriving business has already showcased its capacity to draw in customers, manage costs effectively, and generate profits.
    - Moreover, it has already overcome many of the challenges encountered by newly established businesses.
    - However, it is crucial to verify the presence of any hidden issues within the operation.

7.2 Acquiring an Established Entrepreneurial Venture Cont…

7.2.2 Advantages of acquiring an Ongoing Venture

- <u>Time and effort to start from the scratch are reduced.</u>
  - An existing business has already organized the inventory, equipment, staff, and facilities required for its operations.
  - Owners have invested considerable time in this process, dedicating numerous hours to refining the business and optimizing its efficiency.
  - Additionally, they have gone through several employees before finding the right personnel for the job.
  - The previous owners have unquestionably forged connections with suppliers, bankers, and fellow business professionals. These individuals can frequently be trusted to offer support to the new owners.
  - Hence, the time and effort needed to these activities are reduced.

7.2 Acquiring an Established Entrepreneurial Venture Cont…

7.2.2 Advantages of acquiring an Ongoing Venture

- Buying prices can sometimes be bargained.
    - It is rare for an individual to sell a thriving venture at an exceptionally low price.
    - The owner of a successful small business, having constructed the enterprise through adept business strategies, interpersonal skills, and a solid understanding of the operation's fair market value, is unlikely to sell significantly below that value.
    - However, there are instances when it is feasible to acquire an ongoing operating venture at a favorable price since the owner might be motivated to sell promptly due to various personal reasons.

7.3 Franchising

- Franchising is a business model that involves the licensing of a company's brand, products, or services to independent operators, known as franchisees.

- A **Franchisee**, who acquires a franchise, typically maintains legal independence while being economically reliant on the established business system provided by the **Franchisor**, the entity selling the franchise.

- This arrangement allows individuals to own and operate their own businesses in an autonomous manner under the established brand and operational guidelines of the franchisor.

- Example: Global brands like McDonald's, KFC, Pizza Hut operating in Sri Lanka

7.3 Franchising Cont…

7.3.1 How a Franchise Works

- There are a few special terms on which a Franchise operates.
    - Franchise Agreement - The process begins with the development of a franchise agreement, a legal document outlining the terms and conditions of the franchise relationship. This document details the rights and responsibilities of both the franchisor and the franchisee.
    - Initial Fee - To acquire the right to operate under the established brand, franchisees usually pay an initial franchise fee to the franchisor.
    - Training and Support - Franchisees undergo comprehensive training provided by the franchisor. This training covers various aspects of operating the business, including product or service delivery, customer service, and adherence to brand standards.

7.3 Franchising Cont…

7.3.1 How a Franchise Works Cont…

- Operations Manual - Franchisees receive an operations manual, a guide that details the standardized procedures and practices necessary for running the business.
- Use of Trademarks and Branding - Franchisees gain the right to use the franchisor's trademarks, branding, and proprietary business methods. This is a key element, as it leverages the established reputation and recognition of the brand in the market.
- Royalties - In exchange for ongoing support, including marketing, advertising, and continued access to the franchisor's systems, franchisees typically pay royalties to the franchisor. Royalties are often a percentage of the franchisee's sales.

7.3 Franchising Cont…

7.3.1 How a Franchise Works Cont…

- Marketing and Advertising - Franchisees may contribute to a common marketing fund managed by the franchisor.
- Site Selection and Design - The franchisor may assist franchisees in selecting suitable locations for their businesses and provide guidelines for the design and layout of the premises to maintain a consistent brand image.
- Business Ownership - While franchisees own and operate their businesses independently, they must adhere to the standards and guidelines set by the franchisor.
- Renewal and Termination - The franchise agreement typically has a specified term, and franchisees may have the option to renew the agreement. However, both parties must adhere to the terms for the relationship to continue. Termination may occur if franchisees fail to meet the franchisor's standards.

7.3 Franchising Cont...

7.3.2 Advantages of Franchising

- Franchising presents a multitude of advantages for both franchisors and franchisees.
  - Established Brand Recognition - Franchisees benefit from immediate brand recognition and consumer trust associated with the established franchisor.
  - Proven Business Model - Franchisees gain access to a proven and successful business model, complete with operational processes, marketing strategies, and a track record of success. This reduces the risks and uncertainties often associated with starting an independent business.
  - Ongoing Support and Training - Franchisors typically provide comprehensive training programs to equip franchisees with the skills and knowledge needed to operate the business successfully.

7.3 Franchising Cont…

7.3.2 Advantages of Franchising Cont…

- Economies of Scale - Franchisors can achieve economies of scale in areas such as purchasing, advertising, and technology. By leveraging the collective strength of multiple franchise locations, costs can be reduced, resulting in potential savings for both the franchisor and franchisees.
- Access to Established Suppliers - Franchisees often benefit from established relationships with suppliers negotiated by the franchisor. This can lead to favorable pricing and reliable product availability
- Quick Market Entry - Franchisees can enter the market more rapidly than if they were starting an independent business.

7.3 Franchising Cont…

7.3.2 Advantages of Franchising Cont…

- Reduced Risk of Business Failure - The proven success of the franchisor's business model, coupled with ongoing support and a recognizable brand, reduces the risk of failure for franchisees.
- Marketing and Advertising Support - Franchisees contribute to a common marketing fund, which is managed by the franchisor for regional or national marketing efforts. This shared approach allows for more impactful advertising campaigns, enhancing brand visibility.
- Shared Learning and Networking - Franchisees have the opportunity to learn from the experiences of fellow franchise owners within the network. This sharing of insights and best practices creates a supportive community, fostering collaboration and collective improvement.

7.3 Franchising Cont…

7.3.3 Disadvantages of Franchising

- While franchising offers various advantages, it is essential to consider potential disadvantages associated with this business model.
  - Initial Costs and Fees - Franchisees are required to pay initial franchise fees, ongoing royalties, and possibly contribute to a shared marketing fund.
  - Limited Independence - Franchisees operate within the framework and guidelines set by the franchisor. This limited independence can be challenging for entrepreneurs who prefer more control over business decisions.
  - Uniformity Challenges - Maintaining consistency across all franchise locations can be difficult.

7.3 Franchising Cont…

7.3.3 Disadvantages of Franchising Cont…

- Royalty Payments - Ongoing royalty payments can become a significant financial burden for franchisees, especially during challenging economic periods or when the business is not performing optimally.
- Restrictions on Suppliers - Franchise agreements often dictate specific suppliers that franchisees must use. This restriction may limit the ability to negotiate better deals.
- Contractual Obligations - Franchise agreements are legally binding contracts with specific terms and conditions. Franchisees must adhere to these obligations, and any breach could lead to termination of the franchise relationship.
- Limited Flexibility - Franchisees have limited flexibility in making business decisions, introducing new products, or adapting to local market conditions.

7.3 Franchising Cont...

7.3.3 Disadvantages of Franchising Cont...

- Dependence on Franchisor's Success - The success of franchisees is closely tied to the overall success of the franchisor.

- Potential for Disputes - Disputes between franchisors and franchisees can arise over issues such as territorial rights, marketing strategies, or changes to the franchise system.

- Shared Brand Risks - Negative publicity or issues affecting one franchise location can impact the entire brand.

- Exit Challenges - Exiting a franchise can be complex. Franchise agreements often have specific conditions for selling or transferring the business, and the franchisor may have the right to approve or disapprove of the new owner.

7.4 Sources of Business Ideas

- Business ideas can emerge from various sources, and successful entrepreneurs often draw inspiration from diverse experiences and observations.
- Merely being new does not guarantee automatic value in the business idea.
- As entrepreneurs, the task is to innovate, whether it is a new product, service, process, market, or business concept, with the anticipation that it will generate future value.
- The foundation of entrepreneurial opportunities lies in fresh and innovative ideas, serving as the link between invention and innovation.
- The initial phase for entrepreneurs involves conceiving an idea that could potentially form the basis of a lucrative opportunity.
- Identifying promising opportunities commences with recognizing ideas that exhibit significant potential.

7.4 Sources of Business Ideas Cont…

- There are different sources by which entrepreneurs can generate ideas to start a business.
  - Personal Passion and Hobbies - Entrepreneurs often find inspiration in their own interests and hobbies. Turning a personal passion into a business idea can lead to a venture fueled by genuine enthusiasm.
  - Problem-Solving - Identifying problems or challenges in one's own life or community can spark innovative business ideas. Creating solutions to address these issues can result in a valuable and marketable product or service.
  - Industry Trends and Innovations - Staying informed about industry trends and emerging technologies can inspire new business concepts. Adapting or enhancing existing ideas to align with the latest innovations can lead to successful ventures.

7.4 Sources of Business Ideas Cont...

- There are different sources by which entrepreneurs can generate ideas to start a business.
  - Consumer Needs and Feedback - Paying attention to consumer needs and feedback is a valuable source of business ideas.

  - Market Research - Conducting thorough market research helps entrepreneurs understand current demands, trends, and gaps in the market. Analyzing consumer behavior and preferences can reveal opportunities for new business ventures.

  - Networking and Collaboration - Engaging with diverse networks, attending industry events, and collaborating with professionals can expose entrepreneurs to different perspectives and potential business ideas. Discussions with others may spark innovative concepts.

7.4 Sources of Business Ideas Cont…

- There are different sources by which entrepreneurs can generate ideas to start a business.
  - <u>Observing Competitors -</u> Analyzing competitors can provide insights into areas where improvements or unique offerings can be introduced. Observing what works well and identifying areas for differentiation can lead to distinctive business ideas.
  - <u>Technology and Innovation</u> - Advances in technology often open up new possibilities for business ventures.
  - <u>Global Trends and Demographics</u> - Examining global trends, changes in demographics, and shifts in consumer behavior can offer valuable insights. Adapting business ideas to align with evolving societal needs can lead to successful ventures.

7.4 Sources of Business Ideas Cont…

- There are different sources by which entrepreneurs can generate ideas to start a business.
  - Franchise Opportunities - Exploring franchise opportunities can be a source of business inspiration. Entrepreneurs may identify gaps in the market where established franchise models can be adapted or new concepts can be introduced.
  - Environmental and Social Issues - Addressing environmental or social challenges can inspire socially responsible business ideas. Entrepreneurs focusing on sustainability or social impact often find meaningful and profitable business opportunities.
  - Education and Skill Set - Leveraging one's education, expertise, or unique skill set can lead to business ideas. Entrepreneurs may identify niches where their specialized knowledge can create value..

7.4 Sources of Business Ideas Cont…

- There are different sources by which entrepreneurs can generate ideas to start a business.
  - Chance encounters and Everyday Experiences - Unexpectedly, business ideas can arise from daily experiences, moments of luck, or chance encounters. Staying open minded in typical occurrences of life can lead to the development of extraordinary business concepts.

7.5 Developing Entrepreneurial Capacity

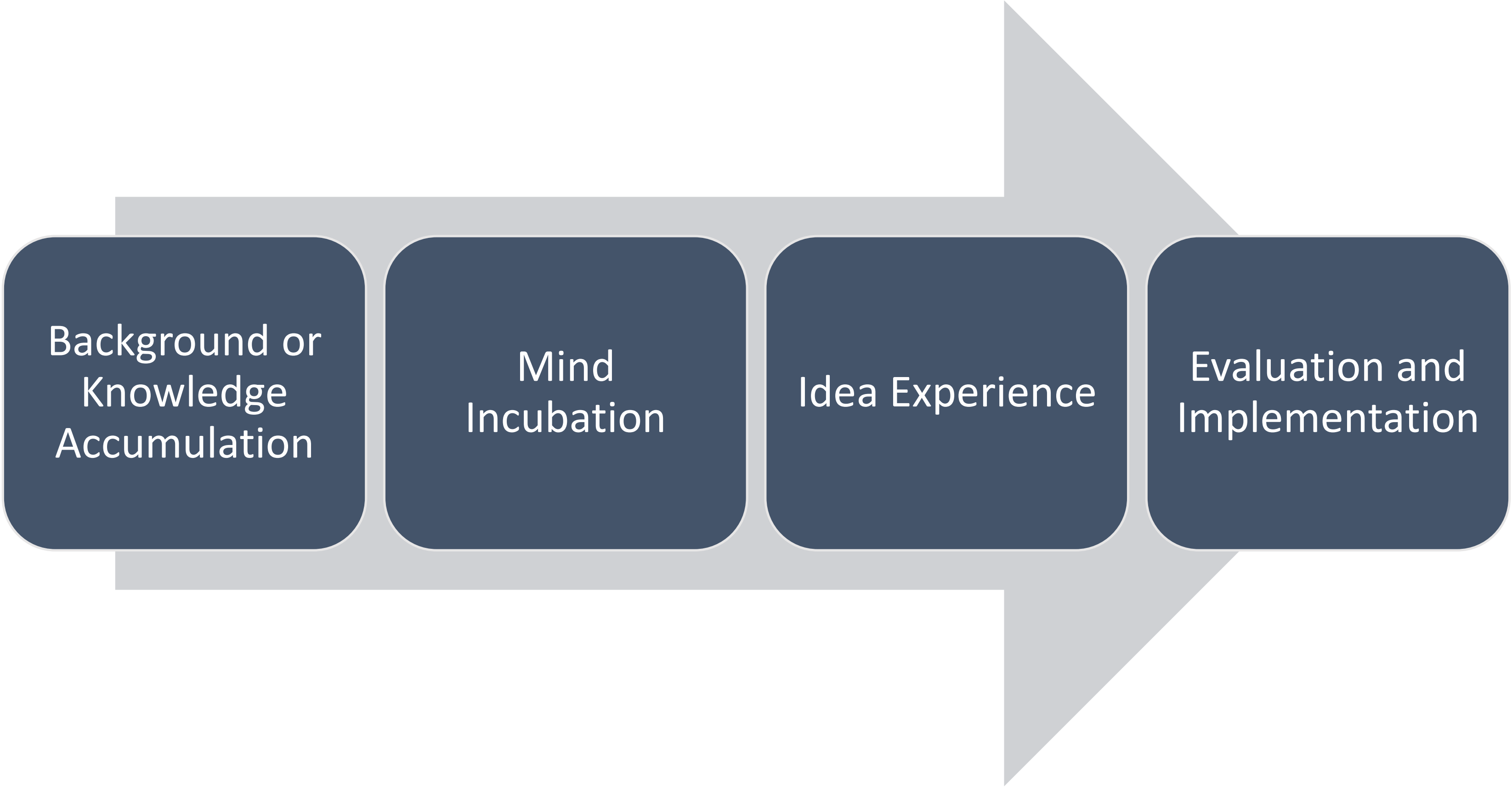
- Developing entrepreneurial capacity is a dynamic process that involves nurturing the skills, mindset, and attributes necessary for individuals to thrive in the entrepreneurial domain.

- After identifying the sources of ideas, entrepreneurs need to leverage their existing knowledge base, gained through work, experience, and education, to refine these ideas into models of market opportunities.

- General industry knowledge, prior market insights, understanding of customers, or any previously acquired knowledge empowers entrepreneurs to transform unconventional sources of innovative ideas into potential opportunities.

7.5 Developing Entrepreneurial Capacity Cont…

- There is a four step process that is recognized to transform experiences into entrepreneurial insight with the intention of developing an entrepreneur's capacity.



7.5 Developing Entrepreneurial Capacity Cont...

- <u>Step 1: Background Knowledge Accumulation</u>
    - Accumulating a robust background and knowledge base is crucial for individuals venturing into entrepreneurship.
    - This foundation serves as a catalyst for informed decision-making, strategic planning, and successful business development
    - Background knowledge can be accumulated in several ways such as:
        - Reading related to different fields
        - Participating in professional associations
        - Attending professional meetings
        - Travelling to new places
        - Scanning magazines for articles related to the specific area

7.5 Developing Entrepreneurial Capacity Cont…

- <u>Step 2: Mind Incubation</u>
  - Mind incubation refers to the deliberate process of nurturing and developing ideas, concepts, or solutions within the confines of one's mind.
  - This mental incubation period is crucial for fostering creativity, problem-solving, and innovative thinking.
  - To process the large amounts of data gathered at the Step 1, to come into a business idea, allowing the subconscious mind to take over is important.
  - Some methods that can promote mind incubation are:
    - Engaging in routine activities
    - Exercising
    - Participating in a sports activity
    - Thinking of the idea domain before sleeping
    - Meditating

7.5 Developing Entrepreneurial Capacity Cont…

- Step 3: Idea Experience
  - This phase marks the discovery of the idea.
  - It is a stage that the average person mistakenly considers the sole element of creativity.
  - Similar to the incubation process, novel and innovative ideas frequently surface when the individual is engaged in activities unrelated to the specific endeavor.
  - Due to the considerable similarity in between Mind Incubation and Idea Experience, it is hard to determine when the person moves from Step 2 to Step 3.
  - Some methods that can help in Idea experience are:
    - Fantasizing about the project
    - Practicing a hobby
    - Working leisurely

7.5 Developing Entrepreneurial Capacity Cont…

- Step 4: Evaluation and Implementation
  - Effective entrepreneurs can recognize viable ideas within their capabilities by evaluation for implementation.
  - Crucially, they persevere when encountering temporary obstacles.
  - Another integral aspect of this stage involves refining ideas to bring them to their ultimate state.
  - Since ideas often emerge in a raw form during Step 3, they require modification or testing to refine them into their final shape.

7.5 Developing Entrepreneurial Capacity Cont…

- If the entrepreneur faces a significant challenge while progressing through the process, revisiting a previous phase and making another attempt can be beneficial.

- For instance, if an individual struggles to formulate an idea or solution (Step 3), revisiting Step 1 is often productive.

- By delving back into the data, entrepreneurs enable the unconscious mind to restart the processing of information, establishing cause-and-effect relationships and formulating potential solutions anew.

7.6 Selecting Viable Business Opportunities

- Selecting viable business opportunities is a crucial step in launching and sustaining a successful venture.

- This process involves a combination of thorough research, strategic thinking, and a keen understanding of market dynamics.

7.6 Selecting Viable Business Opportunities Cont…

7.6.1 Elements of Opportunity Assessment

- There are three main elements that need to be considered upon identifying an opportunity to be a viable entrepreneurial business opportunity.
  1. Characteristics of the Entrepreneur
  2. Opportunity Landscape
  3. Nature of the Venture

7.6 Selecting Viable Business Opportunities Cont…

7.6.1 Elements of Opportunity Assessment Cont..

1. Characteristics of the Entrepreneur - Personal traits, skills, and preferences can shape the entrepreneur's decision-making process and ability to capitalize on specific opportunities.
2. Opportunity Landscape - The opportunity landscape, also known as the business environment, refers to the external factors that can influence the success and viability of a business opportunity. Entrepreneurs need to consider these external factors when selecting a business opportunity.
3. Nature of the Venture - The nature of the venture, encompassing its goals, structure, and strategic direction, significantly influences the selection of a business opportunity. Different types of ventures, such as startups, small businesses, social enterprises, and high-growth enterprises, may prioritize distinct factors when evaluating opportunities.

7.6 Selecting Viable Business Opportunities Cont…

7.6.2 Critical Factors in Opportunity Assessment

- Opportunity assessment involves evaluating and analyzing various factors to determine the feasibility and potential success of a business opportunity.

- There are a few factors that need to be critically evaluated upon assessing a business opportunity for its viability.
  - Uniqueness
  - Investment
  - Growth of Sales
  - Product availability
  - Customer availability

7.6 Selecting Viable Business Opportunities Cont…

7.6.2 Critical Factors in Opportunity Assessment Cont…

- Uniqueness - The level of uniqueness or novelty in a new venture can vary significantly, ranging from relatively common and standard to exceptionally uncommon and innovative. Depending on the degree of this uniqueness, the effort that needs to be put into the business varies.

- Investment - The amount of capital needed to initiate a new venture can differ significantly, mostly depending on the industry it belongs to. The decision making process largely depends on the initial investment.

- Growth of Sales – The effort an entrepreneur has to put up in order to improve the market, resources, finances, competitive dynamics, customer relationships and brand image directly affect the decision making process in assessing a business opportunity.

7.6 Selecting Viable Business Opportunities Cont…

7.6.2 Critical Factors in Opportunity Assessment Cont…

- Product Availability - The presence of a market-ready product or service when a venture commences operations is crucial. Certain ventures encounter challenges in this aspect, as their product or service may still be undergoing development or enter the market prematurely, leading to potential recalls for further enhancements.

- Customer Availability - On one end of the opportunity assessment is the scenario where customers are ready to make cash payments before receiving them. On the opposite end is the enterprise that initiates operations without a clear understanding of its target customers. A crucial factor to consider is the time required to identify the customer base, understand their purchasing behaviors, and determine the acceptable pricing levels.

7.7 Evaluation of Business Opportunity

- Evaluating a business opportunity is a critical process that involves assessing various factors to determine the viability and potential success of the venture.
- Entrepreneurs need to subject their ideas to this analysis to uncover any potential critical issues or flaws in the proposals.
- There are a few components that need to be given critical assessment upon evaluating a business opportunity:
    - Assessing the industry environment
    - Uncertainty analysis
    - Value Chain analysis
    - Barriers to entry analysis
    - Competitor analysis
    - Feasibility analysis

7.7 Evaluation of Business Opportunity Cont…

7.7.1 Assessing the Industry Environment

- Assessing the industry environment involves evaluating the various factors and conditions that influence the overall business landscape within a specific industry.
- This analysis helps businesses understand the opportunities, threats, and competitive dynamics they may face.

7.7 Evaluation of Business Opportunity Cont…

7.7.2 Uncertainty Analysis

- Uncertainty analysis is a process of systematically evaluating the uncertainties associated with various aspects of a startup.
- This analysis aims to enhance understanding, quantify risks, and inform strategic decision-making.
- The factors of uncertainty analysis often contribute to heightened uncertainty rather than mere risk, as their resolution requires careful and thoughtful consideration.
- The most important uncertainties that need to be given consideration are:
  - Technological Uncertainty and
  - Strategic Uncertainty.

7.7 Evaluation of Business Opportunity Cont…

7.7.3 Value Chain Analysis

- Every business operates within an industry value chain or a network involving suppliers and buyers.
- The typical value chain of a business is:
- 

- The business may hold various positions along this chain.
- In basic terms, each position or segment in the chain incurs costs from upstream suppliers and adds to the costs of downstream purchasers.
- Hence it is important that every segment of the value chain is analyzed deeply to identify any potential drawbacks it may pose on the previous and the next segments.

7.7 Evaluation of Business Opportunity Cont…

7.7.4 Barriers to Entry Analysis

- Barriers to entry are obstacles or challenges that make it difficult for new competitors to enter a particular market.
- Analyzing these barriers to entry is a crucial aspect of evaluating a business opportunity.
- Understanding these barriers helps assess the level of competition and the potential sustainability of a business.
- Some of the common barriers against the industry entry are:
  - Product Differentiation
  - Capital Requirements
  - Distribution channels
  - Government policies
  - Lack of credibility in finances

7.7 Evaluation of Business Opportunity Cont…

7.7.5 Competitor Analysis

- Competitor analysis is a vital component of the comprehensive evaluation process when considering a new business opportunity.
- This strategic assessment involves a systematic examination of existing and potential competitors within the chosen industry.
- The objective is to gain valuable insights into the competitive landscape, allowing businesses to make well-informed decisions, identify market niches, and develop effective strategies for success.
- A well-executed competitor analysis empowers businesses to navigate the complexities of the market landscape.

7.7 Evaluation of Business Opportunity Cont…

7.7.6 Feasibility Analysis

- Feasibility analysis is a systematic process of evaluating the practicality, viability, and potential success of a business opportunity before committing resources.
- This analysis aims to assess various aspects of the opportunity to determine if it is achievable, sustainable, and aligned with the overall goals of the entrepreneur or organization.
- The components that are analyzed in Feasibility Analysis are:
  - Technical Feasibility
  - Market Feasibility
  - Financial Feasibility
  - Analysis of Organizational Capabilities
  - Competitive Analysis

Summary

Entrepreneurship Pathways	• Bootstrapping, Business Assistance Funding, Minipreneurship and New Venture Creation
Acquiring an Enterprise	• Method to acquire an enterprise • Pros and Cons of acquiring an enterprise
Franchising	• Franchising Process • Pros and Cons of Franchising
Selecting Viable Business Opportunities	• Sources of Business Ideas • Entrepreneurial Capacity • Selecting and Evaluating Business Opportunities