

**THE ENTERPRISE LAUNCHING,
ENTREPRENEURIAL PROCESS
PRODUCT/ PROJECT
IDENTIFICATION,
BUSINESS PLAN**

Entrepreneurship

- Entrepreneurship is described as the pursuit of market opportunities to create future innovative goods and services discovered, evaluated and exploited to extract social and economic value from the environment, leading ultimately to new independent business/venture creation.
- ***An entrepreneur*** is someone who perceives an opportunity and creates an organisation to pursue it.

The Enterprise Launching

- ❖ Before starting an enterprise,
 - ❖ some factors should be considered and reviewed
 - ❖ in order to increase the probability of profitability.

Factors

- ❖ Identification of business opportunities.
- ❖ Preparation of project.
- ❖ Selecting a business opportunity.
- ❖ Accessing the viability (technical, operational, financial marketing) of the project.
- ❖ Deciding the location for production, offices etc...

The Enterprise Launching

Decide,

- ❖ size of the project.
- ❖ source of finance.
- ❖ about marketing.
- ❖ the launching of the project.
- ❖ the plan,
 - ❖ program & policy,
 - ❖ strategy of the project.

Entrepreneurial process

- The entrepreneurial process involves all the functions, activities, and actions associated with **perceiving opportunities** and bringing together the **necessary resources** for the successful formation of a new firm to pursue and seize the said opportunities

Entrepreneurial Process

- Two broad dimensions of the entrepreneurial process, **opportunity recognition and resource acquisition**
- As per Gruber, three distinct stages
 - the pre-founding stage (opportunity identification and evaluation);
 - a founding stage (business plan, resource gathering, incorporation and market entry);
 - an early development stage (building the company and market penetration)

Entrepreneurial Process

Baron names the three stages of the entrepreneurship process as

- screening ideas for feasibility;
- assembling needed resources; and
- actually developing a new business.

Entrepreneurial Process

Bhave identifies four stages

- opportunity identification,
- technology set up,
- organisation creation and
- the exchange stages.

Entrepreneurial Process

Hisrich & Peters articulated four stages of the entrepreneurial process

- Identifying and evaluating the opportunity;
- developing the business plan;
- determining the resources required;
- managing the resulting enterprise

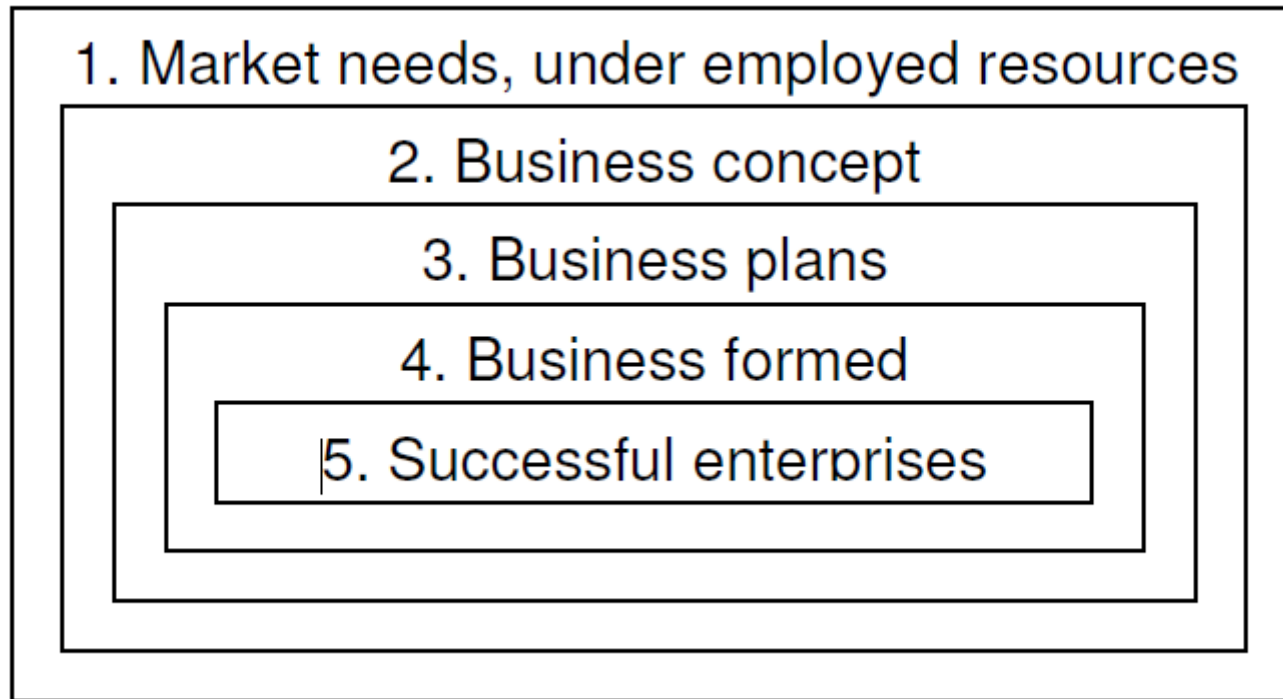
Entrepreneurial Process

Rwigema & Venter identify five specific steps,

- identifying, measuring and refining an opportunity from multiple ideas;
- formulating a business plan;
- Marshalling the resources;
- organizing and mobilizing a team; and
- overseeing the new venture creation and growth.

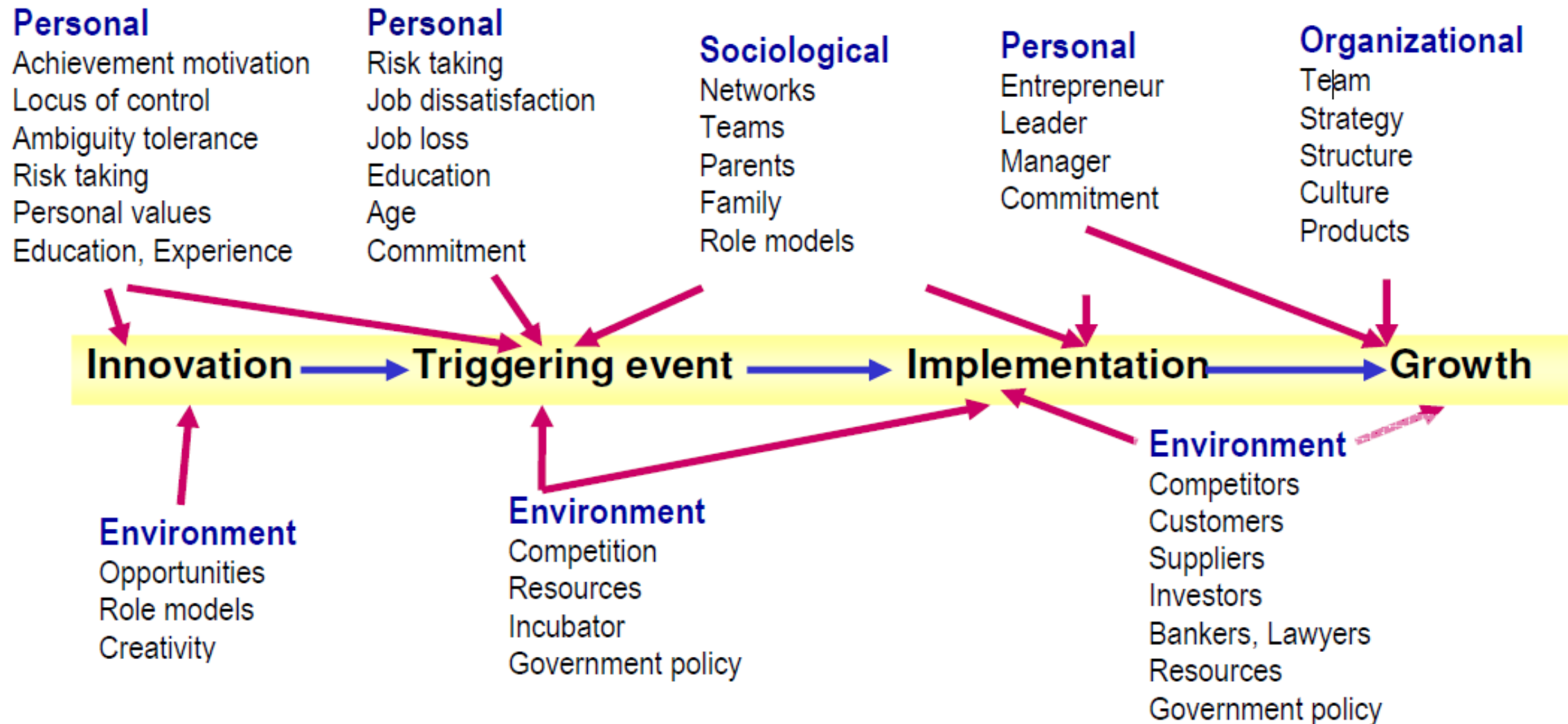
Entrepreneurial Process

The entrepreneurial process by Ardichvili



Entrepreneurial process model by Hisrich & Peters

A Model of the Entrepreneurial Process



Entrepreneurial Process

- ❑ Initial stage in the entrepreneurial process is
 - ❑ The identification and refining of a viable economic opportunity that exists in the market.
- ❑ The opportunity identification stage can be divided into five main steps,
 - getting the idea/scanning the environment,
 - identifying the opportunity,
 - developing the opportunity,
 - evaluating the opportunity and
 - evaluating the team

Entrepreneurial Process

□ What is an opportunity?

- A market opportunity is a gap left in a market by those who currently serve it, giving a chance to others to add unrealized value by performing differently from and better than competitors in order to create new possibilities.
- The Oxford Dictionary (2005) defines opportunity as a favourable time or set of circumstances for doing something.
- Synonymous with opportunity are chance, opening and prospect

Entrepreneurial process

1. Innovation-

- ❑ generating the idea,
- ❑ identifying a market opportunity,
- ❑ information search,
- ❑ conception,
- ❑ screening ideas for feasibility,
- ❑ identifying where to extract value and develop the product or service.

Entrepreneurial Process

- ❑ Next stage in the entrepreneurial process is
 - ❑ the triggering/initialisation stage, can be divided into four main steps,
 - ❑ The decision to become an entrepreneur,
 - ❑ developing the business plan,
 - ❑ assembling resources to create the organization,
 - ❑ developing an organisational boundary and
 - ❑ exchanging of resources across the boundary.

Entrepreneurial process

2. Triggering event -

- development/gestation,
- the motivation to start a business,
- the decision to proceed,
- the business planning,
- identifying the different resources required,
- risk assessment,
- resource acquisition and
- assembling.

Entrepreneurial Process

- ❑ After the resources are acquired the entrepreneur must use them to implement the business plan.
 - ❑ Implementing literally means executing the vision and putting it into action.
- ❑ Rauch & Frese define “action” as
 - ❑ consisting of goal development, goal redefinition, detailed planning, execution with quality action, monitoring the plan, processing feedback and developing visions for future.

Entrepreneurial process

3. Implementation

- incorporation,
- setting up and launching the new venture,
- business strategy,
- implementing the business plan,
- running the business,
- deploying of resources,
- building success and managing the venture.

Entrepreneurial Process

- ❑ The last stage in the entrepreneurial process relates to that
 - ❑ which facilitates the continued survival of the firm,
 - ❑ which may lead to its expansion to some optimum size determined by the market demand.
- ❑ Growth is critical to entrepreneurial success and distinguishes the entrepreneurial venture from the small business

Entrepreneurial process

4. Growth

- adolescence,
- maximising profits,
- harvesting the rewards
- and continually growing the venture to include other opportunities.

There are five indicators for growth:

- financial,
- strategic,
- structural,
- organizational and
- image indicators

Entrepreneurial process model by Hisrich & Peters

A Model of the Entrepreneurial Process

STAGE 1

- Conception
- Opportunity identification;
- Information search
- Evaluation & assessment
- Screening or creation of ideas for service or good.
- Feasibility study- Market research

STAGE 2

- Making the decision to proceed
- The business plan
- Assembling of different resources required
- Resource acquisition
- Gestation

STAGE 3

- Infancy
- Incorporation
- Set up
- Launching the new venture
- Business strategy
- Building success
- Managing the venture

STAGE 4

- Adolescence, leading
- Harvesting the rewards
- Growing the venture
- Planning
- Organizing
- Control

Innovation → **Triggering event** → **Implementation** → **Growth**

Planning as Part of The Business Operation

- Planning is a process that never ends for a business.
- As the venture grows up to a mature business, planning will continue ...

Business Plan..

- ❖ The business plan is a written document prepared by the entrepreneur that describes all the relevant internal and external elements and strategies for starting a new venture.
- ❖ It is an integration of functional plans such as marketing, finance, manufacturing, sales and human resources.

Purpose of a Business Plan



- Alignment of the team(s)
- Operating plan
- Communication across the company, division, department, and business partners
- Investment capital
- Expansion capital (banks, leases)
- Merger/acquisition process

Outline of a Business Plan



Introductory Page

- Name and address of business
- Name(s) and address(es) of principal(s)
- Nature of business
- Statement of financing needed
- Statement of confidentiality of report

Outline...



Executive Summary

Three to four pages summarizing the complete business plan

- What is the business concept or model?
- How is this business concept or model unique?
- Who are the individuals starting this business?
- How will they make money and how much?

Outline ...



Environmental and Industry Analysis

- Future outlook and trends
- Analysis of competitors
- Market segmentation
- Industry and market forecasts

Outline ...



Description of Venture

- Product(s)
- Service(s)
- Size of business
- Office equipment and personnel
- Background of entrepreneurs

Outline ...

- **Production Plan**
 - Manufacturing process (amount subcontracted)
 - Physical plant
 - Machinery and equipment
 - Names of suppliers of raw materials



Outline ...

- **Operational Plan**
 - Description of company's operations
 - Flow of orders for goods and/or services
 - Technology utilization



Outline ...

Marketing Plan

- STP
- Pricing
- Distribution
- Promotion
- Product forecasts
- Controls

Outline ...

Organizational Plan

- Form of ownership
- Identification of partners or principal shareholders
- Authority of principals
- Management-team background
- Roles and responsibilities of members of organization

Outline ...

Assessment of Risk

- Evaluate weakness of business
- New technologies
- Contingency Plans

Outline ...

Financial Plan

- Pro forma income statement
- Cash flow projections
- Pro forma balance sheet
- Break-even analysis
- Sources and applications of funds

Outline ...

Annexure (contains backup material)

- Letters
- Market research data
- Leases or contracts
- Price lists from suppliers.

Assessment of business plan:

- **Economic viability:**

Impact on production, employment, revenue, living standard, national income, etc. is evaluated.

- **Ecological viability:**

Effect on the environment - groundwater and air pollution – is examined.

Assessment of business plan:

- **Technical viability:**

Factors related to infrastructure, technology, availability of machine, equipment, and raw materials, skilled manpower are need to be evaluated.

- **Marketing viability:**

Market potential, demand forecast, position of competitors, distribution channels, etc are examined.

Assessment of business plan:

- **Managerial viability:**

The background of the business project developer, qualification, experience and potential of key management personnel are examined.

Assessment of business plan:

- **Financial viability:**

- The Financial position of a business enterprise is examined for sound implementation of the project.
- The surplus generation capacity of the project is assessed for timely repayment of credits, meeting the project cost in the pre-defined timeline, and sources of various types of finance.
- Projected income statements, balance sheets and various financial ratios are also critically examined.

Summarize

- Business plan directs the entrepreneur in achieving set goals and helps in timely mobilizations of various resources required for operations of a business enterprise
- Business plan is a written document by the entrepreneur about targeted goals, methods of achieving goals, customers' expectations, market potential, strength and opportunity.
- A business plan should have the introductory summary, vision, information on products and services, targeted market, marketing strategy, production and operation, finance, organization and management.
- It is also important to properly evaluate the feasibility and viability of a business plan.