



LM THAPAR School of
Management
new India starts here

New Venture Growth

- What is growth of a business ?
- Why growth is more important for a new venture?
- Which factors influence growth? Why, How and Where?
- Take away from the presentation

What is growth ?

- Growth is an indicator of state (success/failure) of a business.
- The growth may be in terms of sales, employment, and market share, cash flow, income etc.



New Ventures

- Liability of **newness** and **smallness**: In the absence of growth, their chances of survival are significantly reduced.
- New venture growth is about obtaining viability

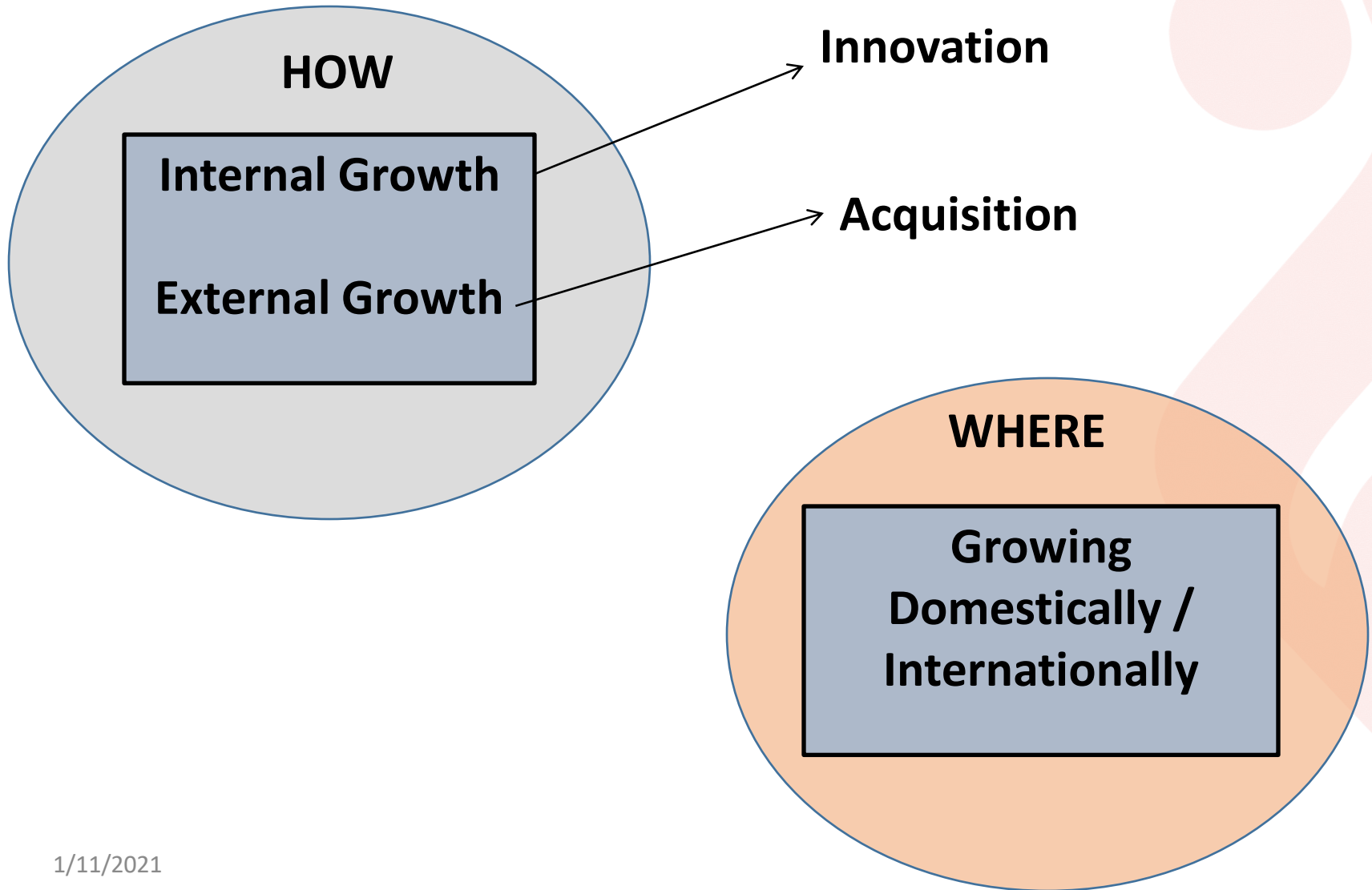


Established firm

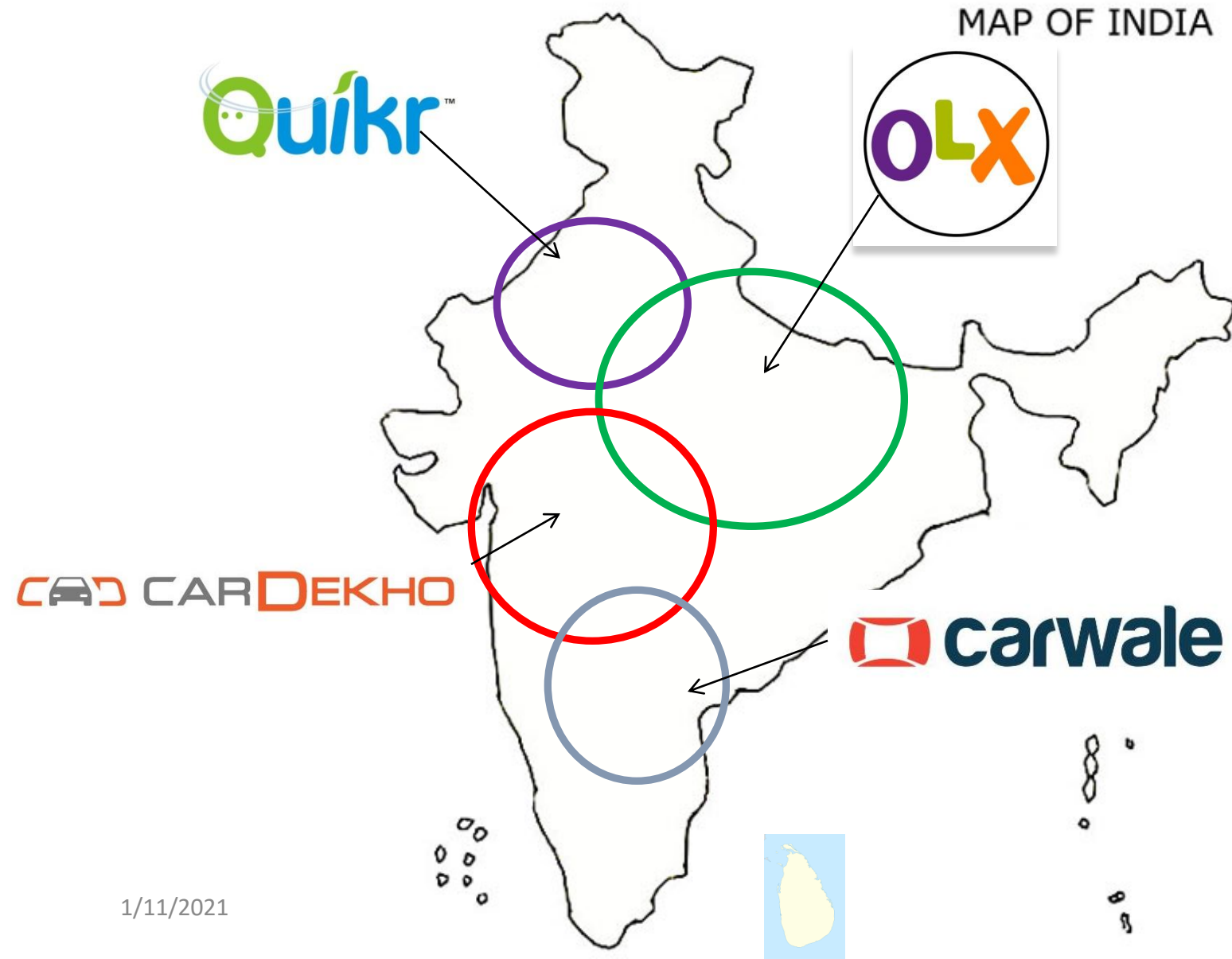
- Achieved level of viability and survival
- Sustaining viability



How and where to grow ?

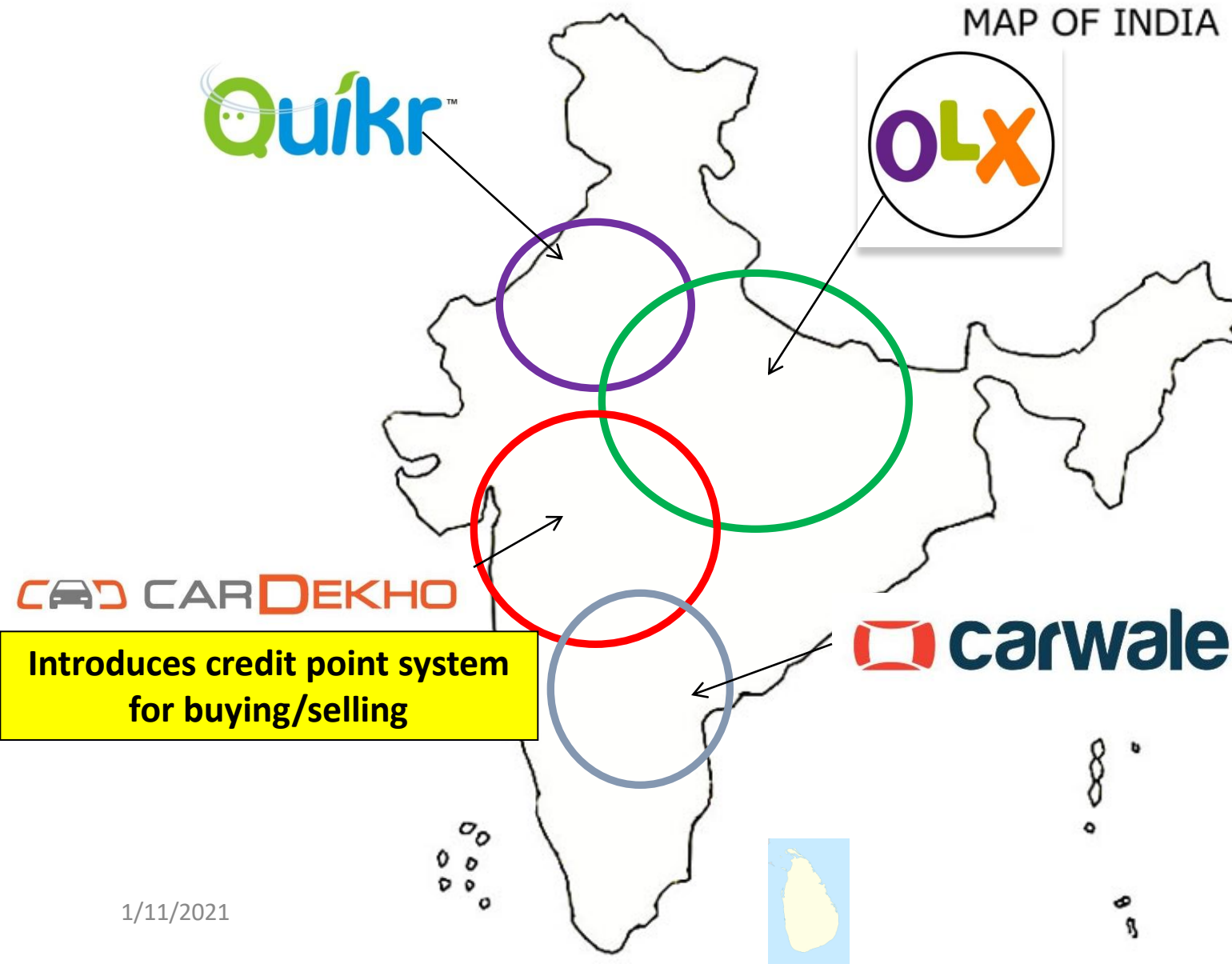


Buy and sell used car

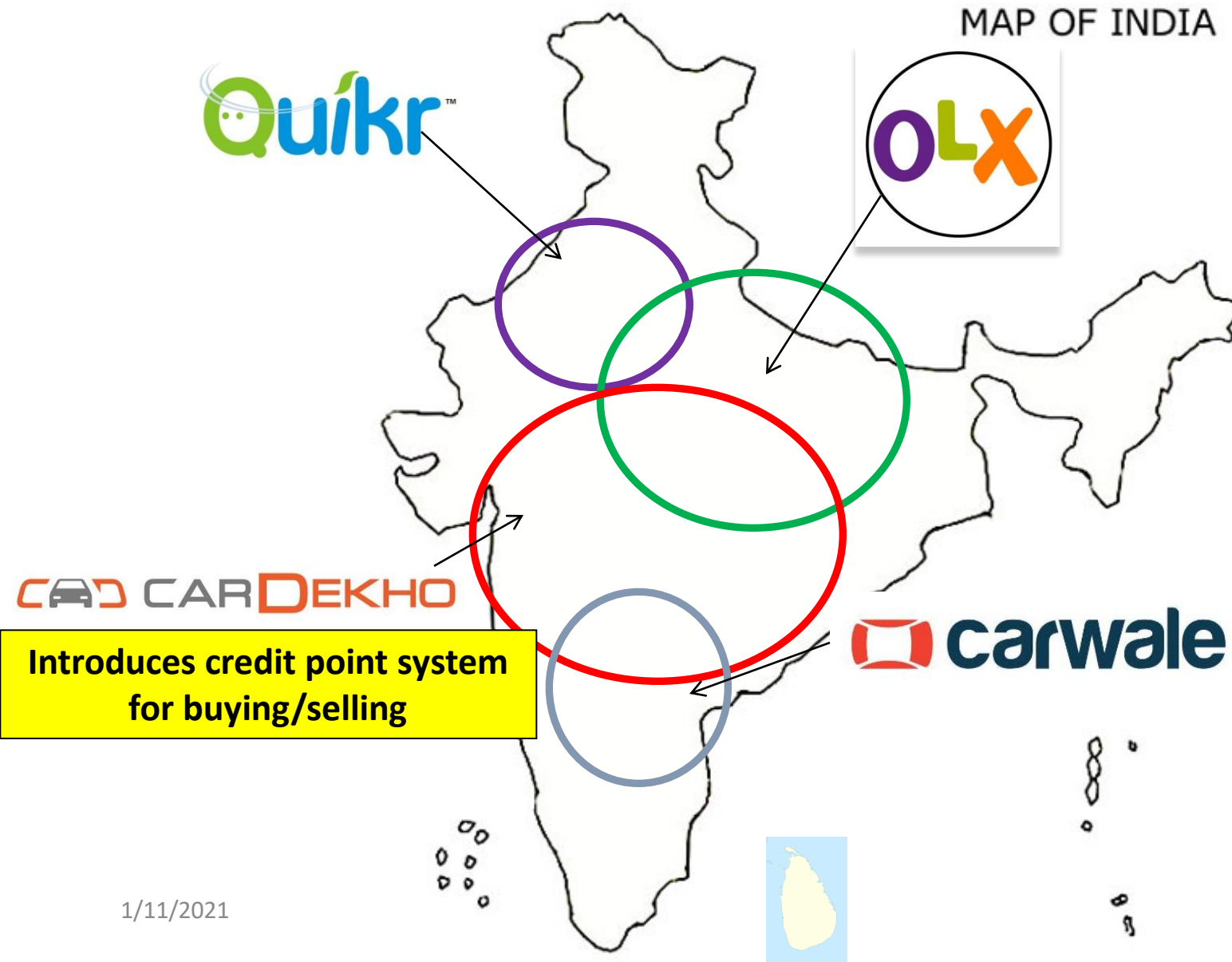


Buy and sell used car

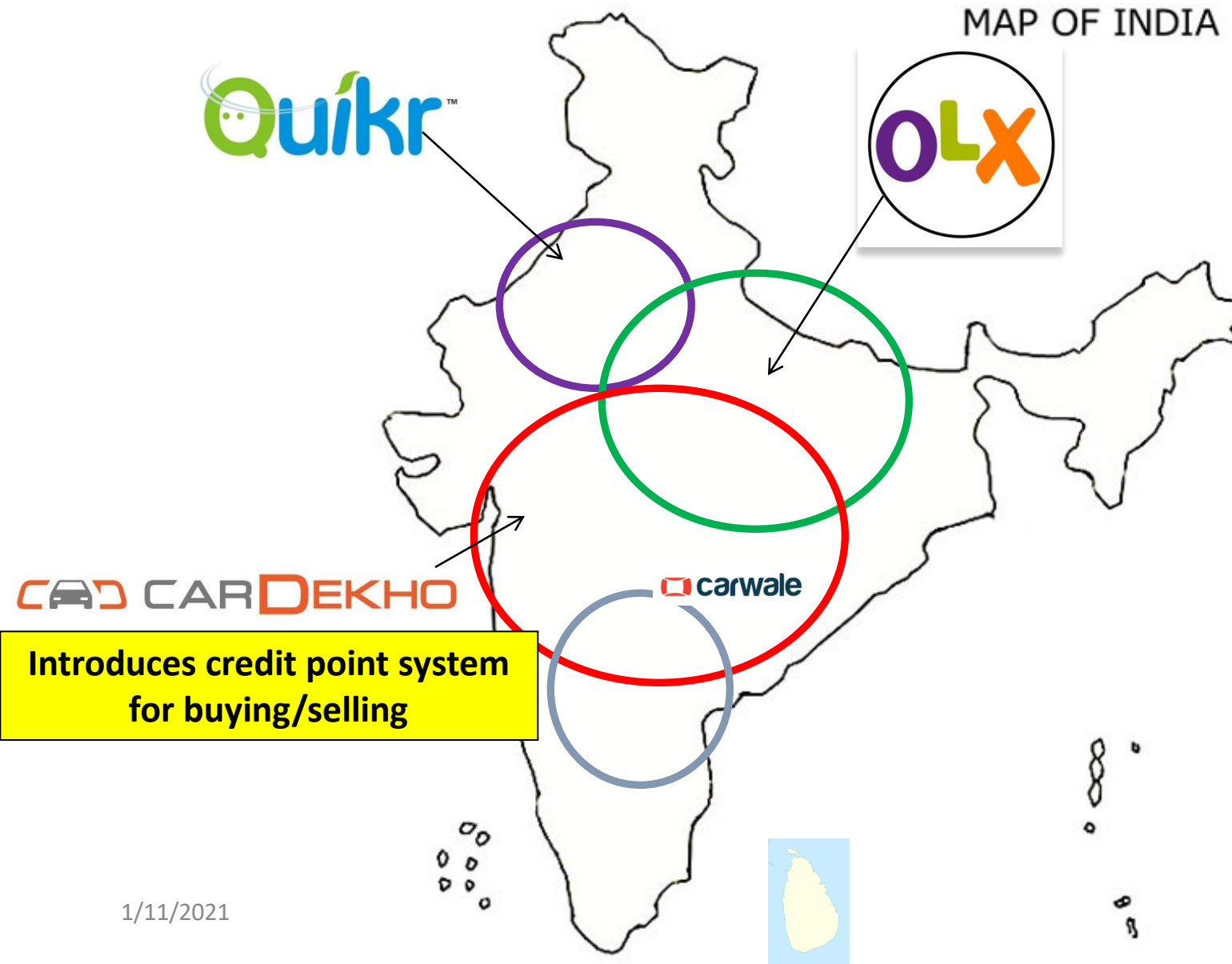
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Buy and sell used car

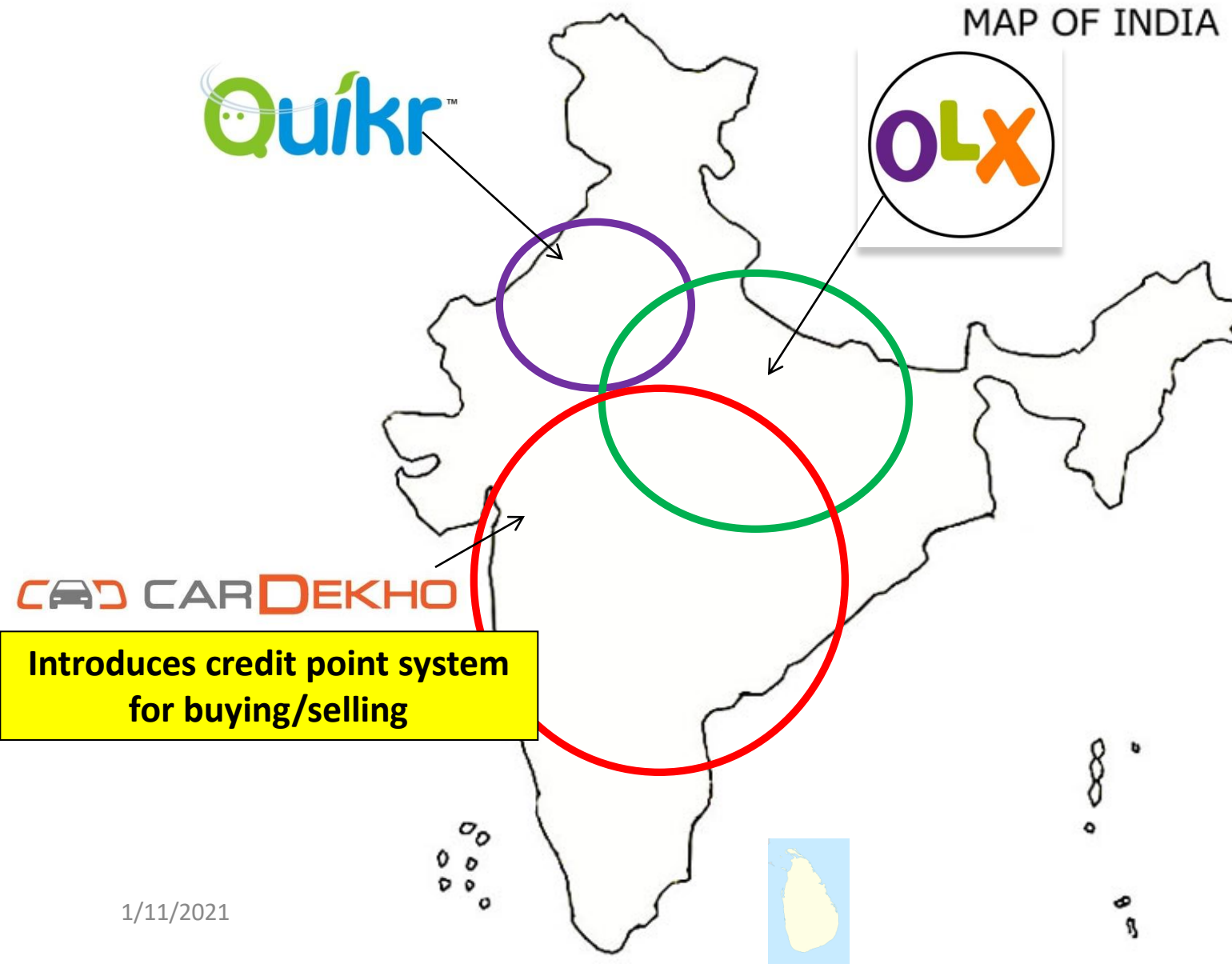


Buy and sell used car



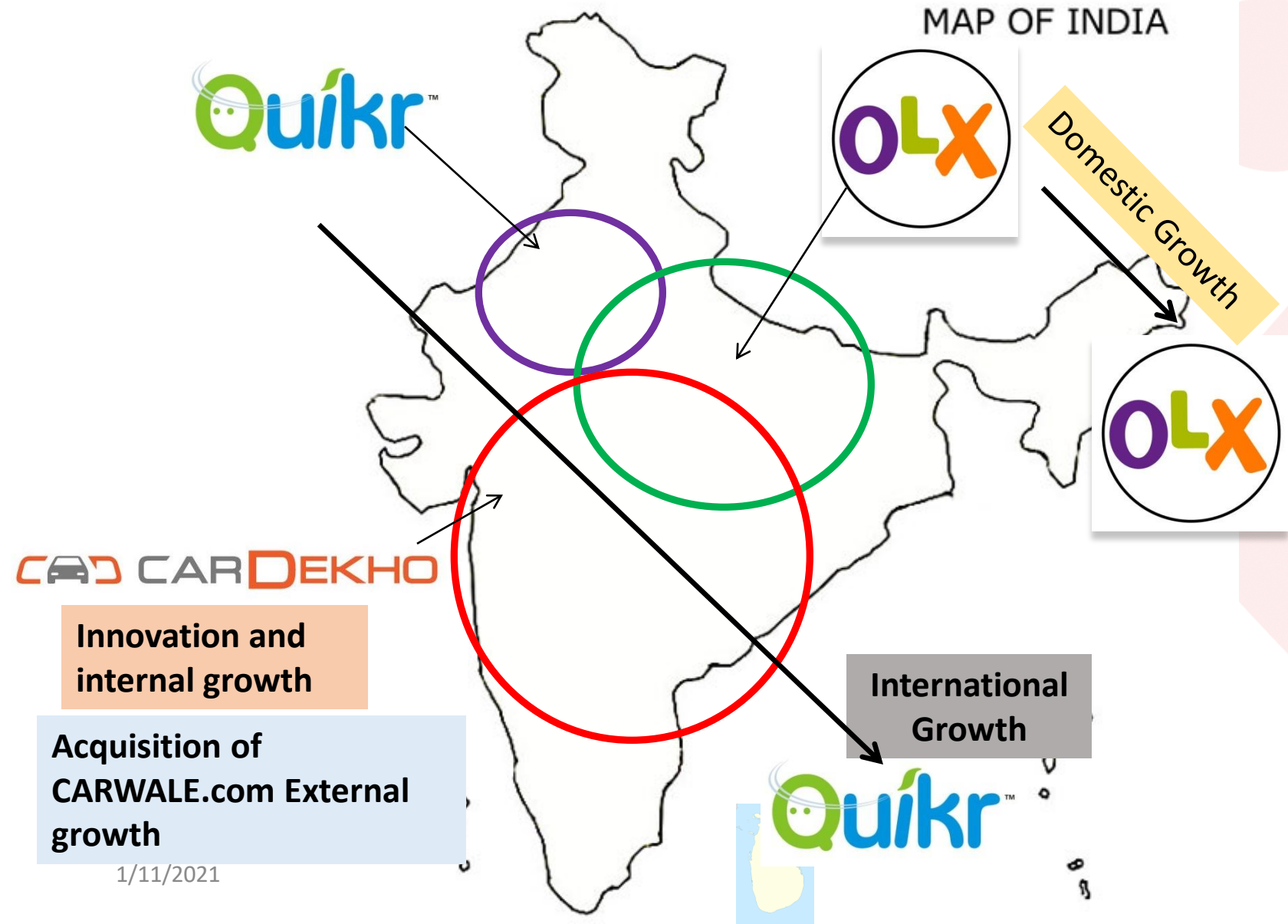
Buy and sell used car

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Buy and sell used car

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Parameters reflect the growth of a new venture

Sales



Market share



Employee



Other measures

- Cash flow
- Income
- Customer base

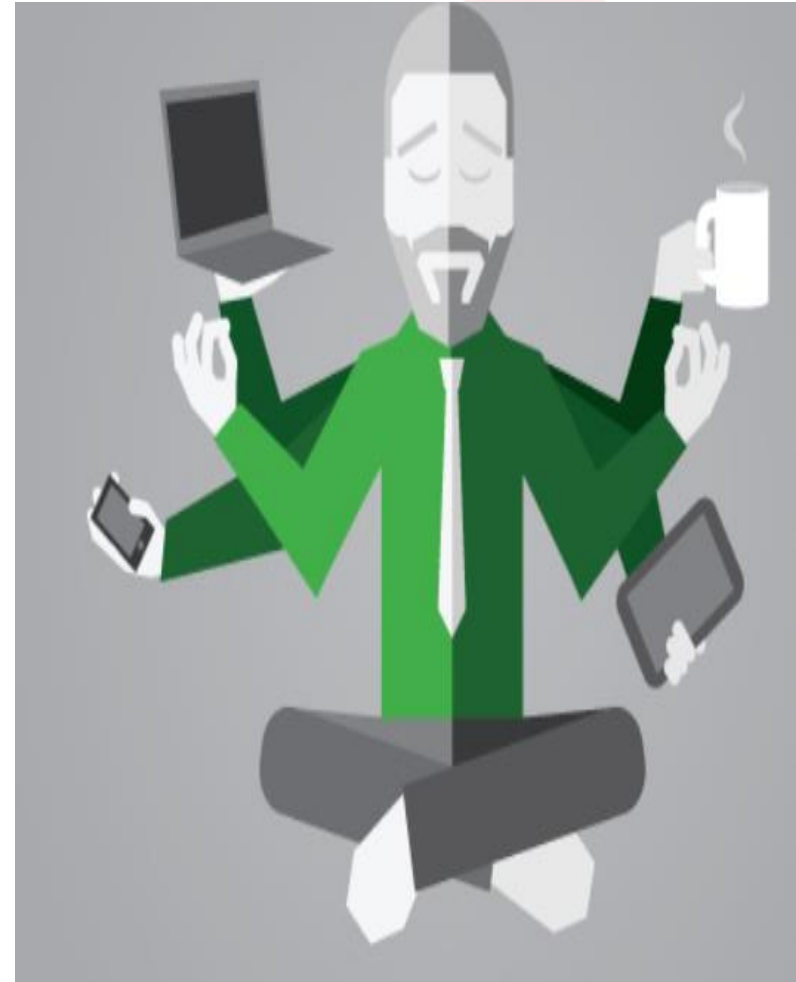
Factors influencing the growth of new ventures

- Entrepreneur's characteristics
- Utilization of resources
- Geographical location
- Strategy
- Industrial context
- Organization structures and systems



- **Entrepreneur's Characteristics**

- ***Educational background***
- ***Prior industrial experience:***
Knowledge for making business decision
- ***Prior start-up experience***
- ❖ Team management capability



- **Utilization of Resources:**

- Human Capital

- Skilled / Non skilled manpower at initial Vs Maturity

- Financial capital

- From Bootstrapping to venture- capitalist

- Other resources: *Networking*

- *with business incubators, business development center.*

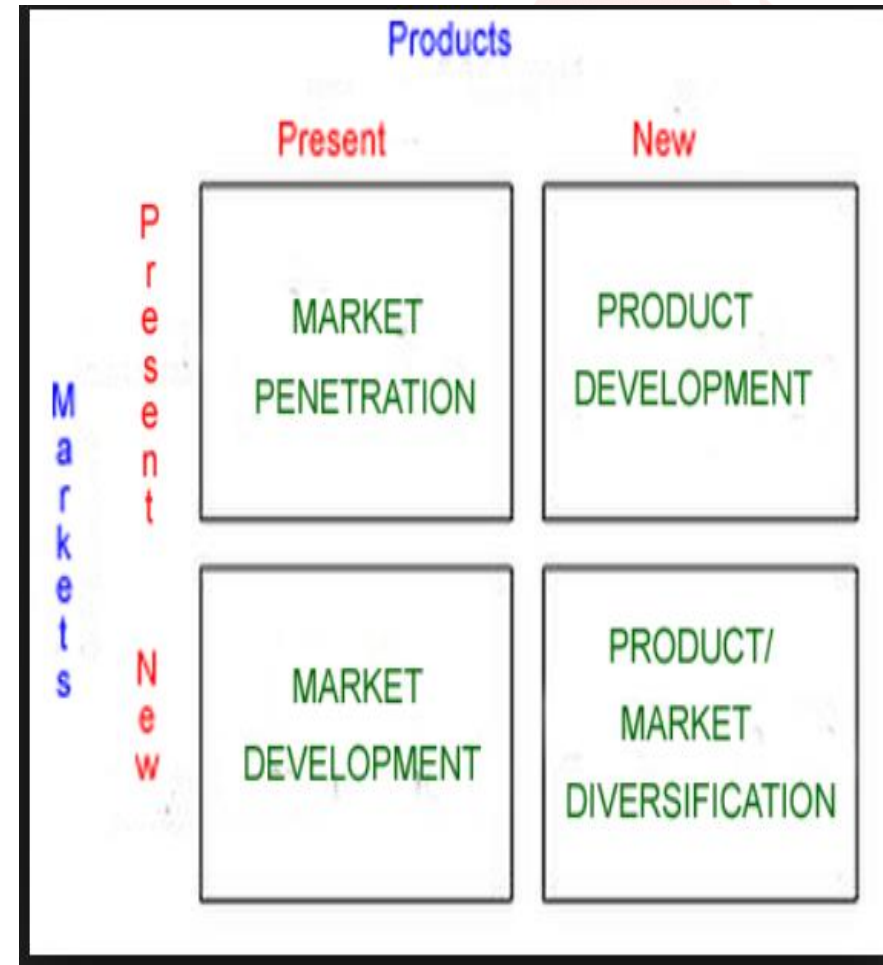


- **Geographical location:** Highly dependent on the local environment. E.g. (Case success of wind-energy business):
- Number of competitors in surrounding
- Availability of resources

e.g. Silicon valley Vs Rural area

Venture strategy for the growth

- **Market Development** e.g. Innovation (Expansion through Alliance, Franchise and Licensing - Airtel diversifying from India to South Africa, Suzuki with Maruti, KFC)
 - **Market Penetration** e.g. HUL main focus on market retention & grow.
 - **Product Development** e.g. OS by Microsoft and IoT based OS
 - **Product / Market Development** (Google's flying Taxi concept)
- ❖ Integrative: Horizontal (Suzuki with Maruti), Vertical (Forward: Hush-puppies Vs BATA; Backward: Lee Vs Arvind Mills; Network-Incubators



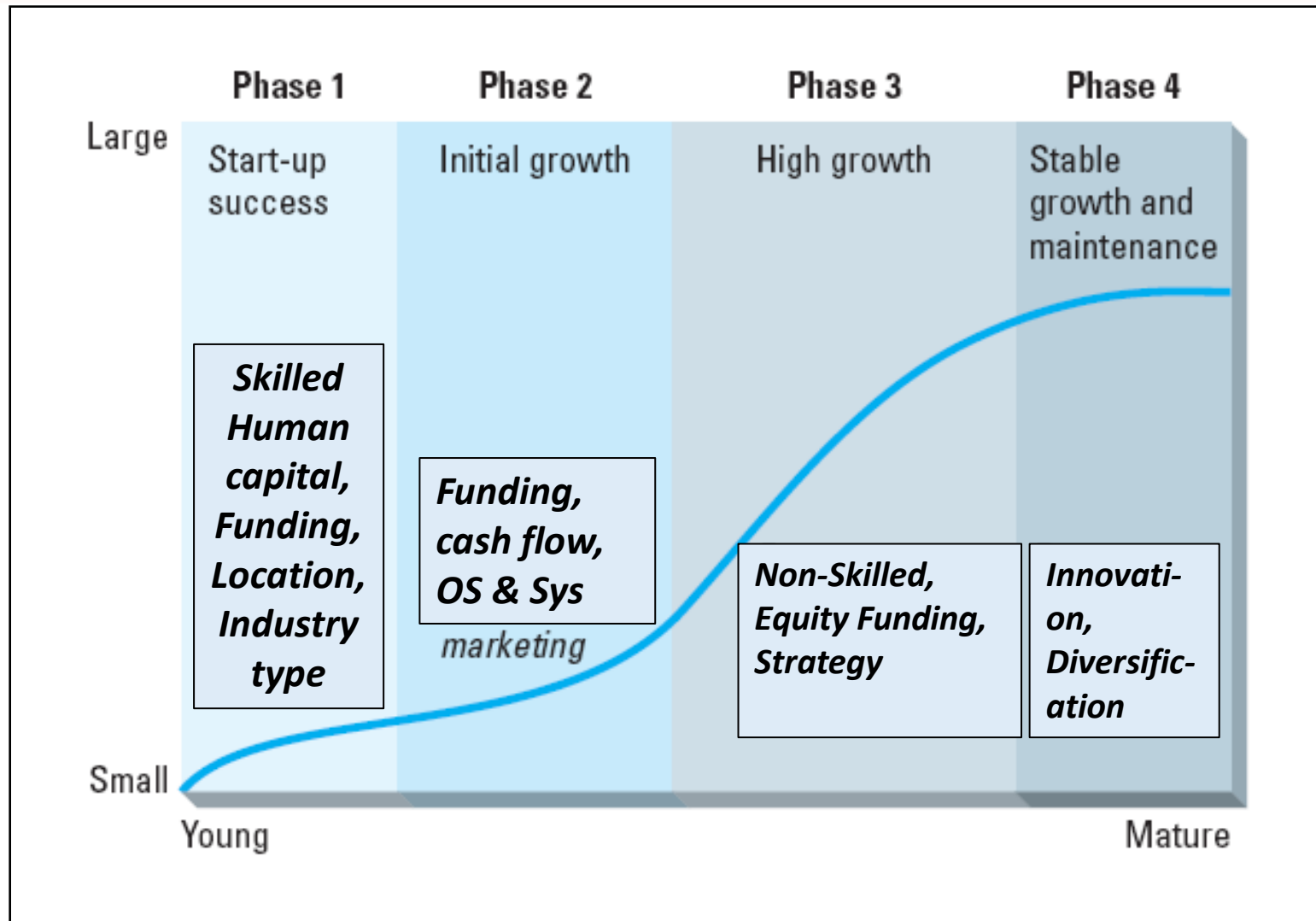
- **Industry context**

Emerging Vs Existing

- Emerging Market: More resources, more liberal (mistakes are not much costly compare to existing)
- High growth
- Emerging market: level of competition is low
- In existing market : No mistake acceptable.

- **Organizational structure and system**

- Leadership
- Culture
- Hierarchy structure: Role and Responsibility
- Systems : Standard of procedure, CBIS



Stages of growth of new ventures

- **Understanding of concept of Growth**
 - What
 - Why
 - How
 - Where
- **Parameters reflect the growth**
- **Factors influencing the growth**
- **Importance of stages of growth**

Class Activity:

- Identify the parameters of growth for a case company, and suggest growth strategy along with justification.

- Gilbert B A et. al (2006), “New venture growth: A review and extension”, Journal of management, Vol. 32, No. 6, pp(926-950)
- Google

Comments
Suggestions
Questions?
Thank you

