



New Venture Growth

Objectives

- 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

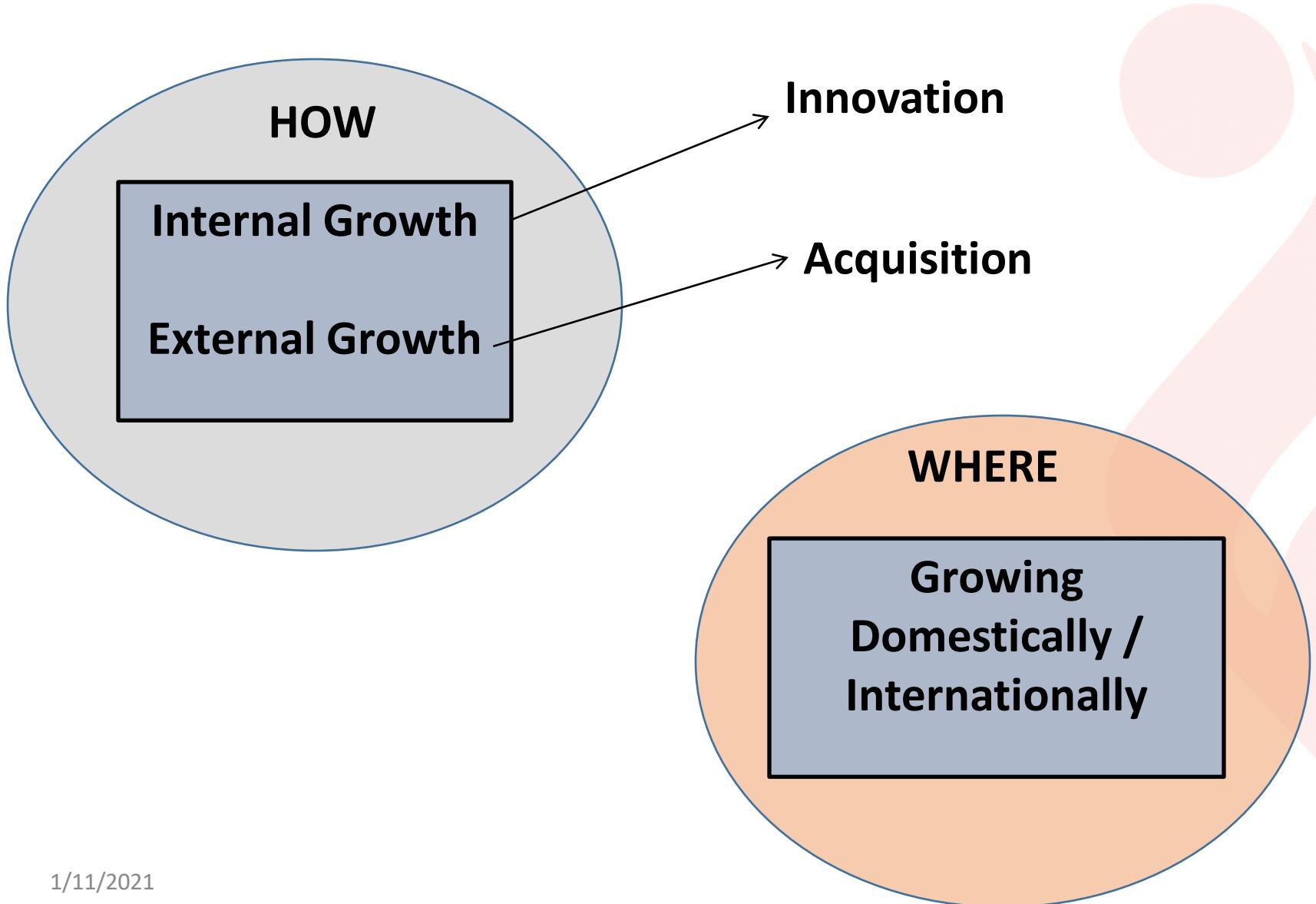


Established firm

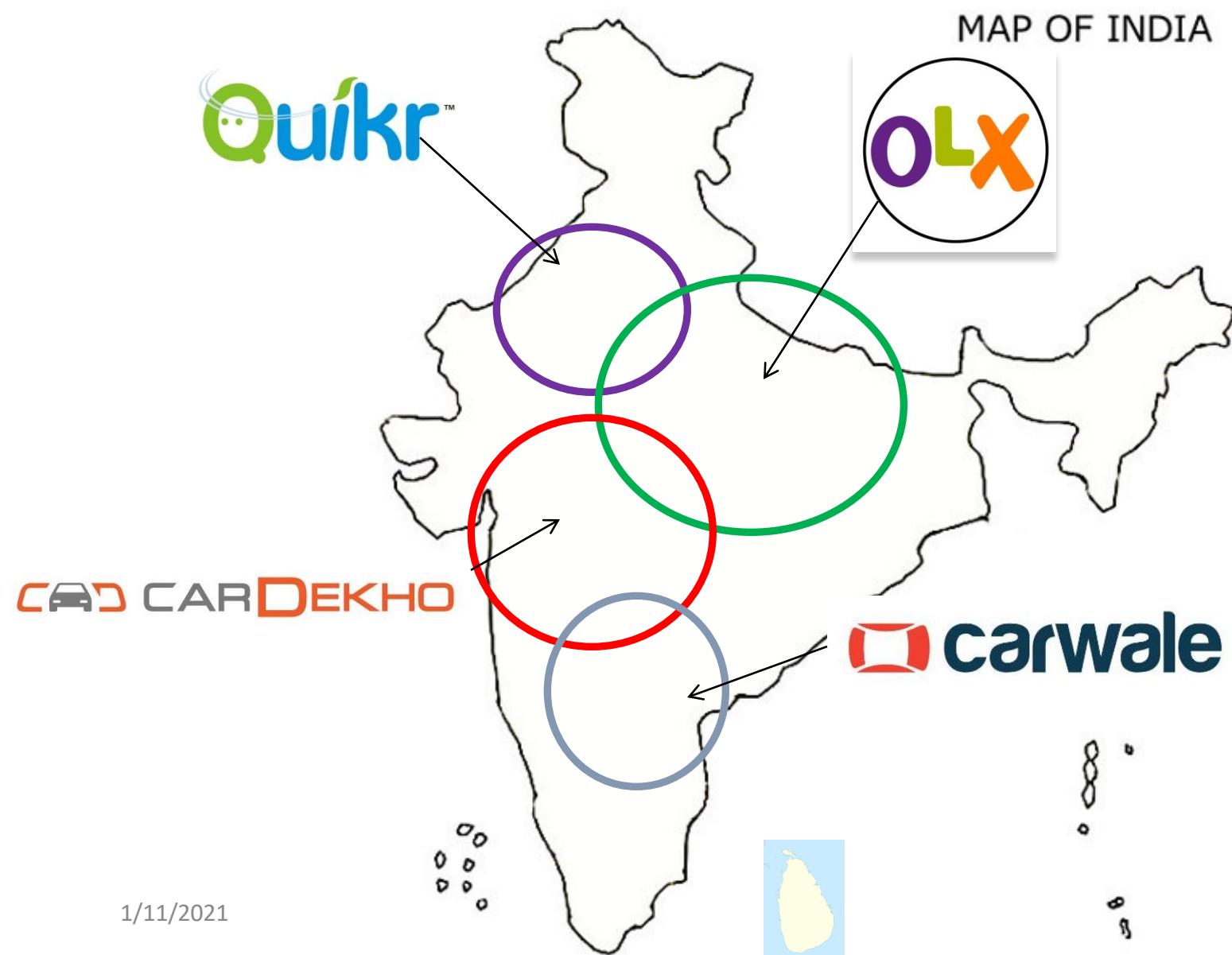
- Achieved level of viability and survival
- Sustaining viability



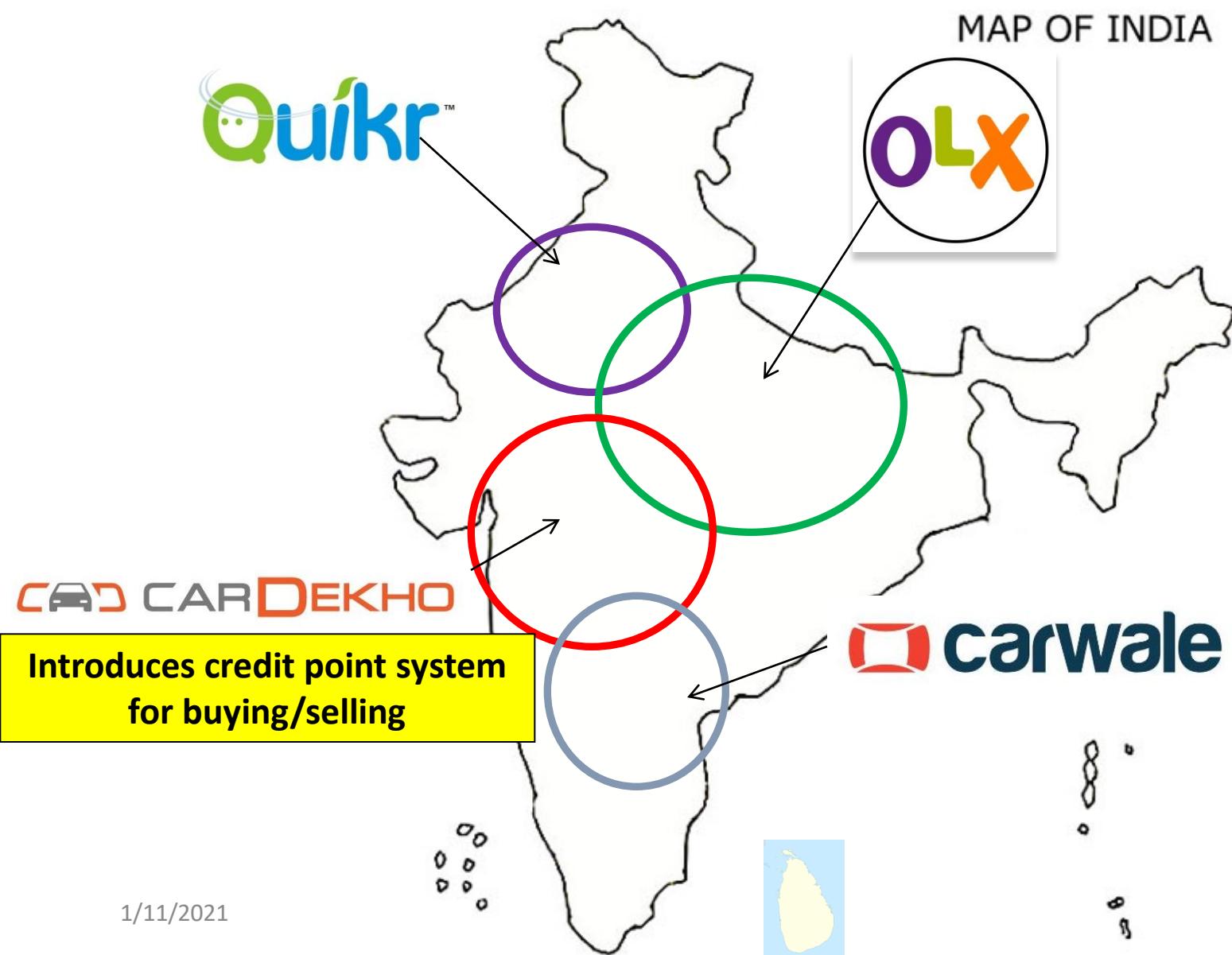
How and where to grow ?



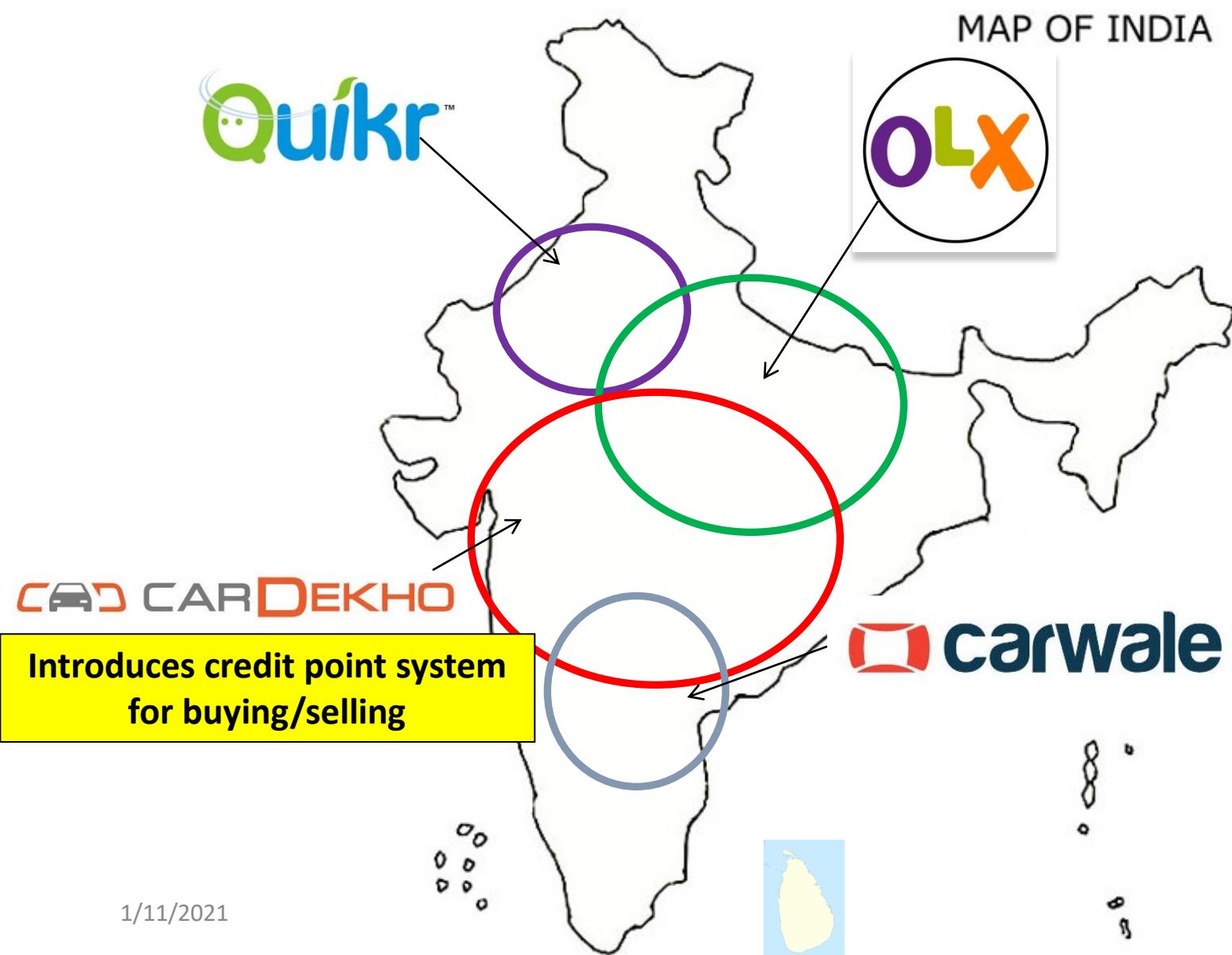
Buy and sell used car



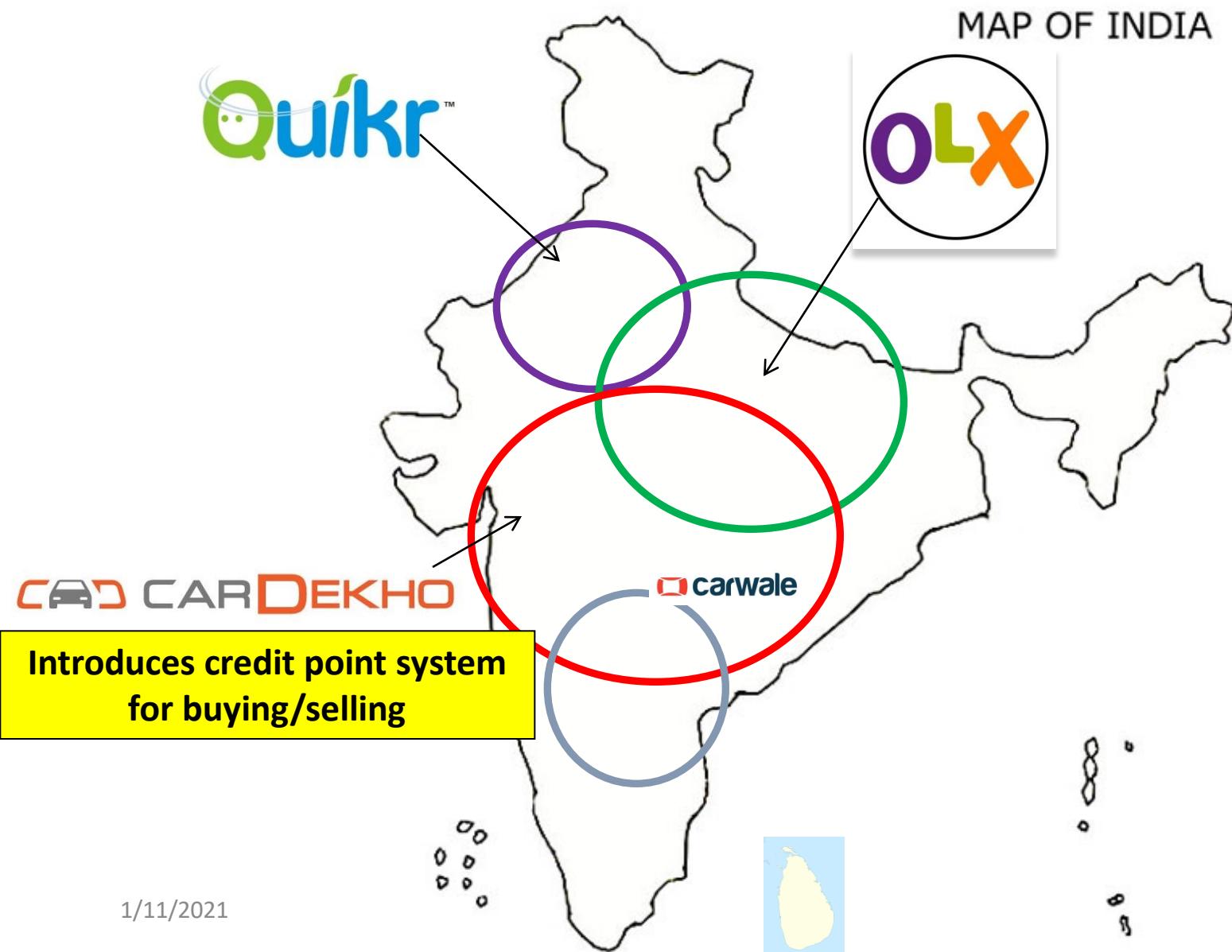
Buy and sell used car



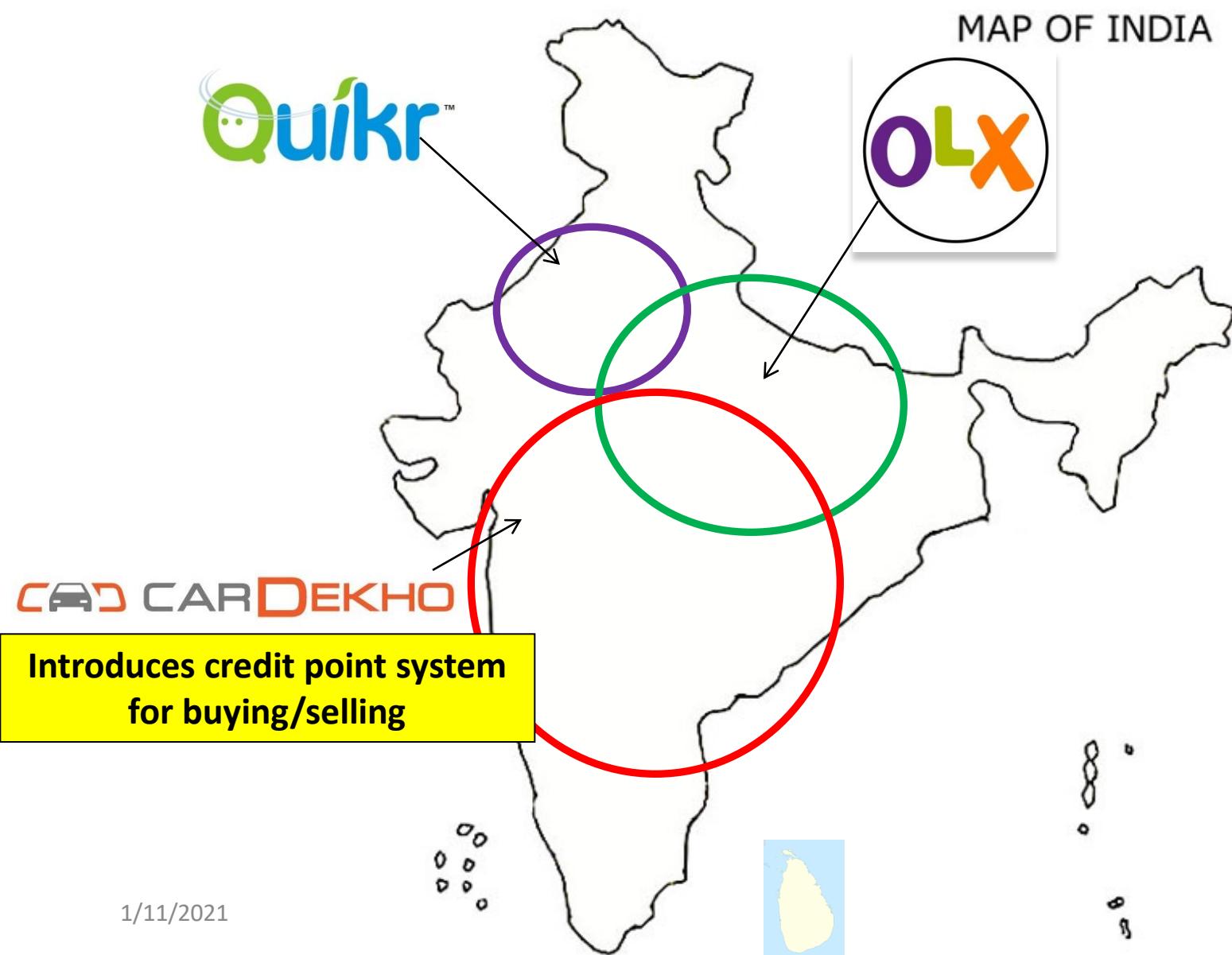
Buy and sell used car



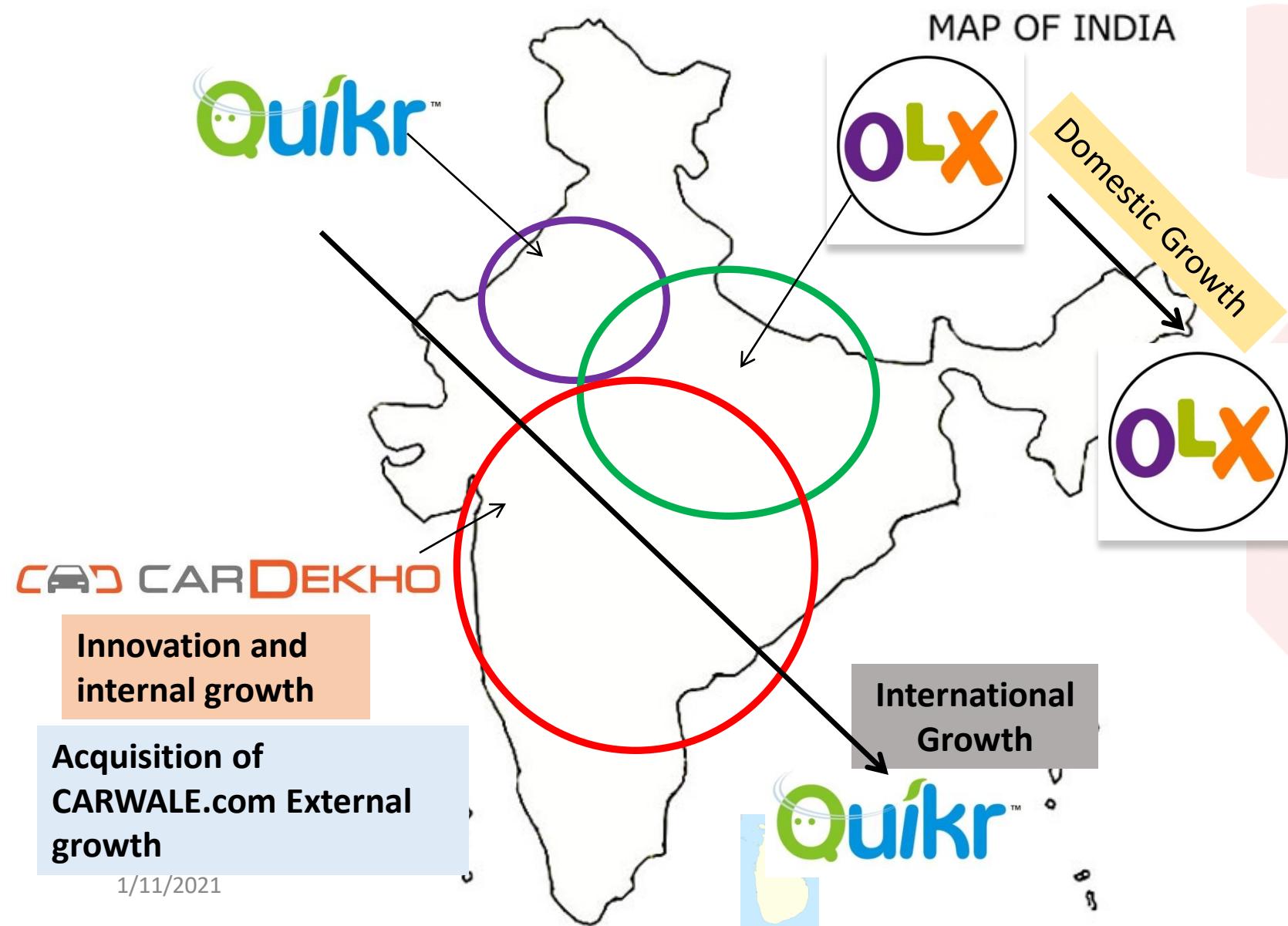
Buy and sell used car



Buy and sell used car



Buy and sell used car





Market share



1/11/2021

dreamstime.com

Employee



Other measures

- Cash flow
- Income
- Customer base

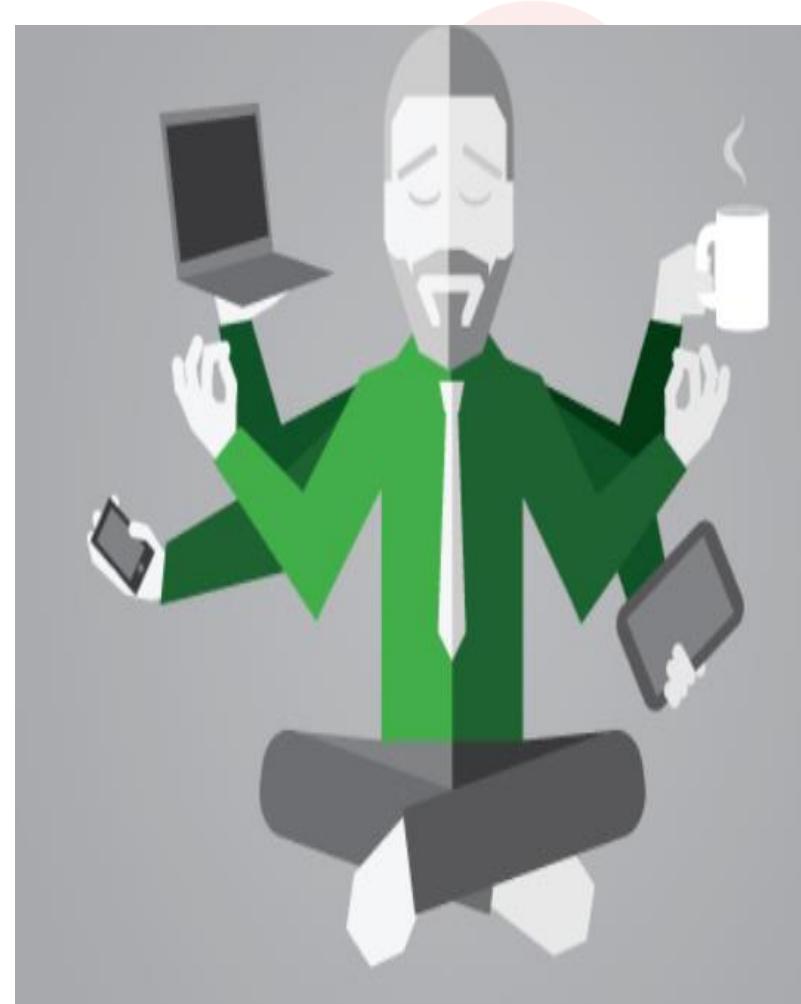
Why some new ventures grow more than others

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.*

Factors influencing the growth

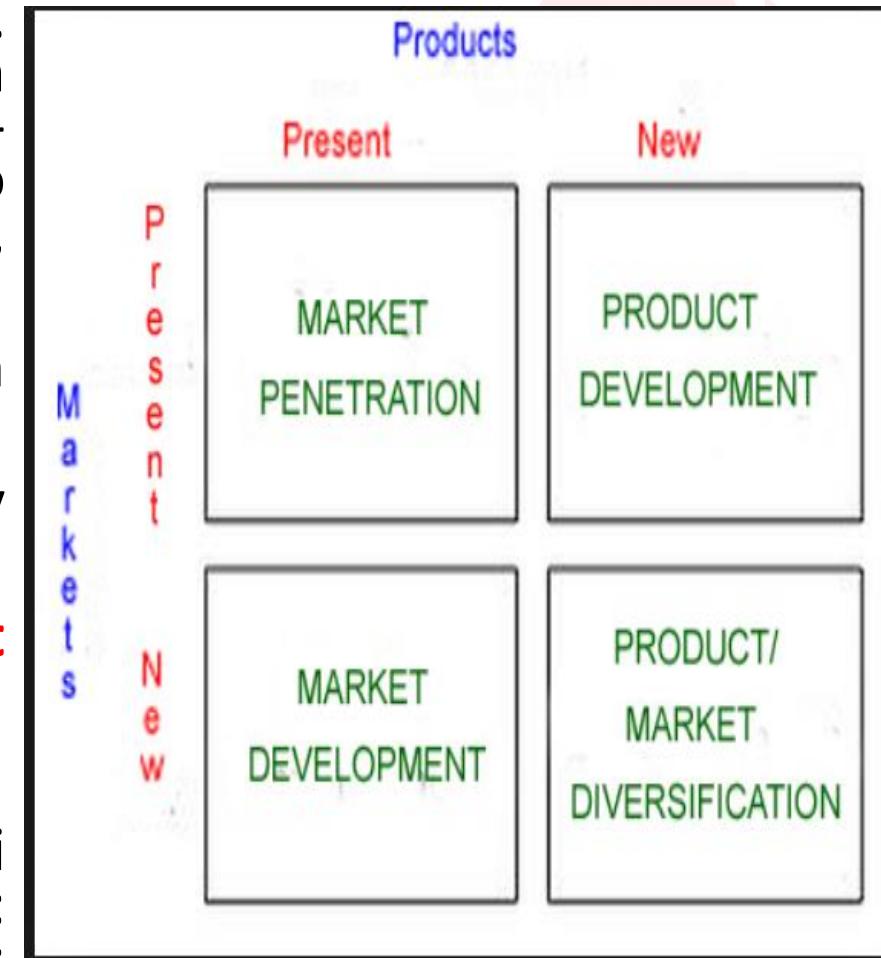
cont..¹⁶

- **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



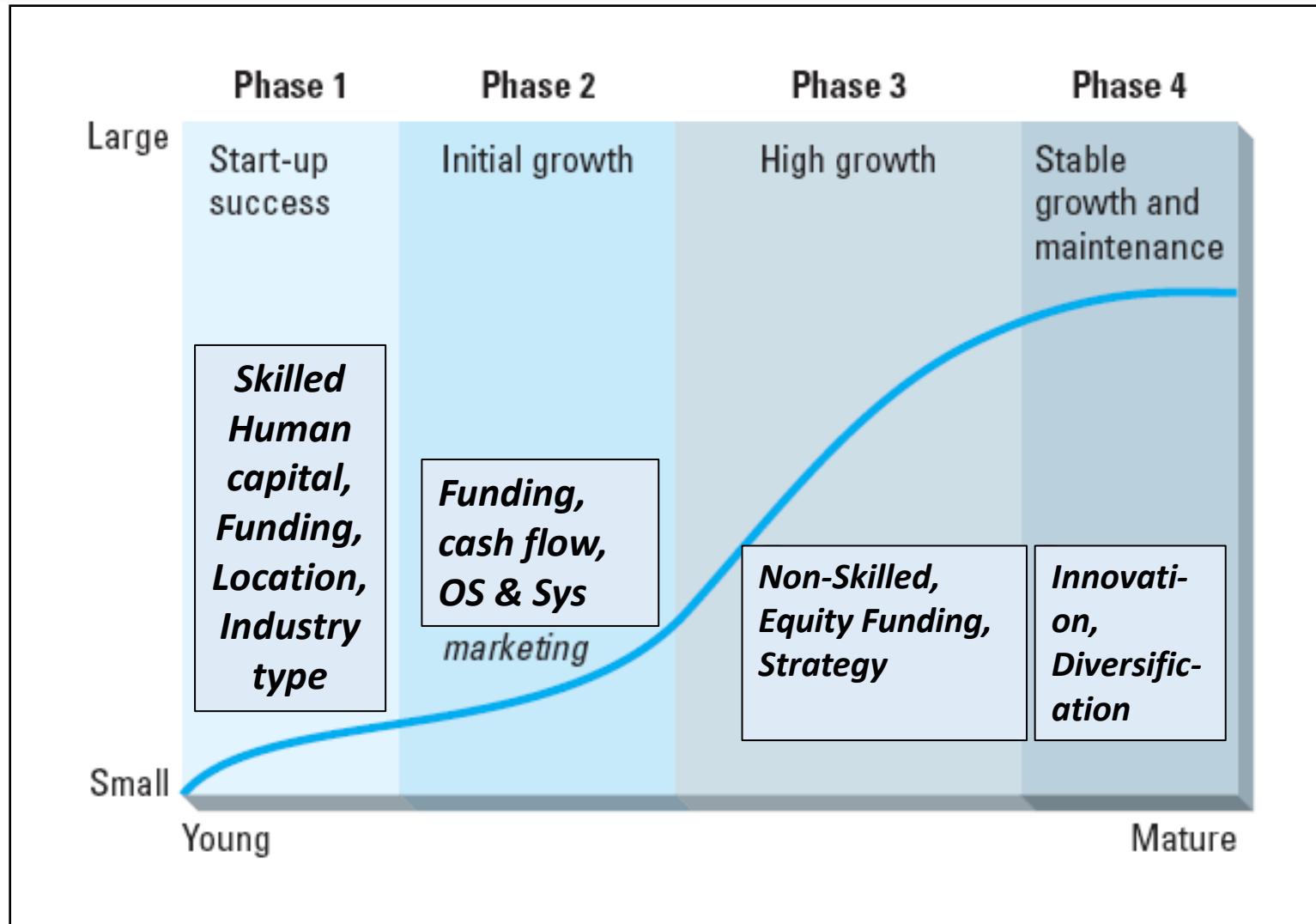
- **Industry context**

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

Take away from the presentation

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- **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.

References:

- 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